
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **June 30, 2018**
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number: **001-36448**

Bankwell Financial Group, Inc.

(Exact Name of Registrant as specified in its Charter)

Connecticut
(State or other jurisdiction of
Incorporation or organization)

20-8251355
(I.R.S. Employer
Identification No.)

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

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of July 31, 2018, there were 7,842,820 shares of the registrant's common stock outstanding.

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

Bankwell Financial Group, Inc.

Consolidated Balance Sheets - (unaudited)

(Dollars in thousands, except share data)

	June 30, 2018	December 31, 2017
ASSETS		
Cash and due from banks	\$ 89,214	\$ 70,545
Federal funds sold	105	186
Cash and cash equivalents	89,319	70,731
Available for sale investment securities, at fair value	92,608	92,188
Held to maturity investment securities, at amortized cost	21,505	21,579
Loans receivable (net of allowance for loan losses of \$19,006 at June 30, 2018 and \$18,904 at December 31, 2017)	1,572,591	1,520,879
Accrued interest receivable	5,522	5,910
Federal Home Loan Bank stock, at cost	9,333	9,183
Premises and equipment, net	20,313	18,196
Bank-owned life insurance	40,146	39,618
Goodwill	2,589	2,589
Other intangible assets	334	382
Deferred income taxes, net	4,683	4,904
Other assets	11,859	10,448
Total assets	\$ 1,870,802	\$ 1,796,607
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest bearing deposits	\$ 168,295	\$ 172,638
Interest bearing deposits	1,297,343	1,225,767
Total deposits	1,465,638	1,398,405
Advances from the Federal Home Loan Bank	199,000	199,000
Subordinated debentures	25,129	25,103
Accrued expenses and other liabilities	11,462	13,072
Total liabilities	1,701,229	1,635,580
Commitments and contingencies		
Shareholders' equity		
Common stock, no par value; 10,000,000 shares authorized, 7,841,720 and 7,751,424 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	119,824	118,301
Retained earnings	48,470	41,032
Accumulated other comprehensive income	1,279	1,694
Total shareholders' equity	169,573	161,027
Total liabilities and shareholders' equity	\$ 1,870,802	\$ 1,796,607

See accompanying notes to consolidated financial statements (unaudited)

Bankwell Financial Group, Inc.
Consolidated Statements of Income – (unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest and dividend income				
Interest and fees on loans	\$ 18,114	\$ 16,660	\$ 35,532	\$ 32,173
Interest and dividends on securities	975	880	1,910	1,689
Interest on cash and cash equivalents	325	148	579	262
Total interest income	19,414	17,688	38,021	34,124
Interest expense				
Interest expense on deposits	4,309	3,095	7,965	5,676
Interest on borrowings	1,197	952	2,443	1,859
Total interest expense	5,506	4,047	10,408	7,535
Net interest income	13,908	13,641	27,613	26,589
Provision for loan losses				
	310	895	323	1,438
Net interest income after provision for loan losses	13,598	12,746	27,290	25,151
Noninterest income				
Gains and fees from sales of loans	315	199	685	523
Bank owned life insurance	265	295	528	586
Service charges and fees	265	261	521	501
Net gain on sale of available for sale securities	—	—	222	165
Other	262	243	484	489
Total noninterest income	1,107	998	2,440	2,264
Noninterest expense				
Salaries and employee benefits	4,539	3,800	9,567	7,729
Occupancy and equipment	1,731	1,439	3,348	3,131
Data processing	509	401	1,034	846
Marketing	479	311	776	577
Professional services	424	523	1,199	935
Director fees	274	243	489	476
FDIC insurance	203	243	417	626
Amortization of intangibles	24	31	48	62
Other	581	590	1,089	1,433
Total noninterest expense	8,764	7,581	17,967	15,815
Income before income tax expense	5,941	6,163	11,763	11,600
Income tax expense	1,226	2,394	2,448	4,129
Net income	\$ 4,715	\$ 3,769	\$ 9,315	\$ 7,471
Earnings Per Common Share:				
Basic	\$ 0.60	\$ 0.49	\$ 1.19	\$ 0.98
Diluted	\$ 0.60	\$ 0.49	\$ 1.19	\$ 0.97
Weighted Average Common Shares Outstanding:				
Basic	7,722,892	7,550,734	7,699,977	7,538,069
Diluted	7,761,560	7,645,930	7,747,068	7,638,350
Dividends per common share	\$ 0.12	\$ 0.07	\$ 0.24	\$ 0.14

Bankwell Financial Group, Inc.
Consolidated Statements of Comprehensive Income – (unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 4,715	\$ 3,769	\$ 9,315	\$ 7,471
Other comprehensive income:				
Unrealized (losses) gains on securities:				
Unrealized holding (losses) gains on available for sale securities	(584)	293	(2,119)	453
Reclassification adjustment for gain realized in net income	—	—	(222)	(165)
Net change in unrealized (losses) gains	(584)	293	(2,341)	288
Income tax benefit (expense)	122	(103)	492	(101)
Unrealized (losses) gains on securities, net of tax	(462)	190	(1,849)	187
Unrealized (losses) gains on interest rate swaps:				
Unrealized (losses) gains on interest rate swaps	(187)	(302)	1,815	(84)
Income tax benefit (expense)	39	105	(381)	29
Unrealized (losses) gains on interest rate swaps, net of tax	(148)	(197)	1,434	(55)
Total other comprehensive (loss) income, net of tax	(610)	(7)	(415)	132
Comprehensive income	<u>\$ 4,105</u>	<u>\$ 3,762</u>	<u>\$ 8,900</u>	<u>\$ 7,603</u>

See accompanying notes to consolidated financial statements (unaudited)

Bankwell Financial Group, Inc.
Consolidated Statements of Shareholders' Equity – (unaudited)
(In thousands, except share data)

	Number of Outstanding Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2017	7,751,424	\$ 118,301	\$ 41,032	\$ 1,694	\$ 161,027
Net income	—	—	9,315	—	9,315
Other comprehensive loss, net of tax	—	—	—	(415)	(415)
Cash dividends declared (\$0.24 per share)	—	—	(1,877)	—	(1,877)
Stock-based compensation expense	—	633	—	—	633
Forfeitures of restricted stock	(674)	—	—	—	—
Warrants exercised	22,400	400	—	—	400
Issuance of restricted stock	43,550	—	—	—	—
Stock options exercised	25,020	490	—	—	490
Balance at June 30, 2018	<u>7,841,720</u>	<u>\$ 119,824</u>	<u>\$ 48,470</u>	<u>\$ 1,279</u>	<u>\$ 169,573</u>

	Number of Outstanding Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2016	7,620,663	\$ 115,353	\$ 29,652	\$ 890	\$ 145,895
Net income	—	—	7,471	—	7,471
Other comprehensive income, net of tax	—	—	—	132	132
Cash dividends declared (\$0.14 per share)	—	—	(1,070)	—	(1,070)
Stock-based compensation expense	—	434	—	—	434
Forfeitures of restricted stock	(14,774)	—	—	—	—
Issuance of restricted stock	28,250	—	—	—	—
Warrants exercised	11,200	200	—	—	200
Stock options exercised	28,511	515	—	—	515
Balance at June 30, 2017	<u>7,673,850</u>	<u>\$ 116,502</u>	<u>\$ 36,053</u>	<u>\$ 1,022</u>	<u>\$ 153,577</u>

See accompanying notes to consolidated financial statements (unaudited)

Bankwell Financial Group, Inc.
Consolidated Statements of Cash Flows – (unaudited)
(In thousands)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities		
Net income	\$ 9,315	\$ 7,471
Adjustments to reconcile net income to net cash provided by operating activities:		
Net accretion of premiums and discounts on investment securities	(21)	(17)
Provision for loan losses	323	1,438
Provision for deferred taxes	332	56
Net gain on sales of available for sale securities	(222)	(165)
Depreciation and amortization	782	760
Amortization of debt issuance costs	26	26
Increase in cash surrender value of bank-owned life insurance	(528)	(586)
Loan principal sold from loans originated for sale	—	(631)
Proceeds from sales of loans originated for sale	—	897
Net gain on sales of loans	(685)	(523)
Stock-based compensation	633	434
Net amortization (accretion) of purchase accounting adjustments	332	(49)
Loss on sale of premises and equipment	44	—
Gain on sale and write-downs of foreclosed real estate	—	50
Net change in:		
Deferred loan fees	(418)	(550)
Accrued interest receivable	388	(281)
Other assets	452	(2,920)
Accrued expenses and other liabilities	(1,610)	3,929
Net cash provided by operating activities	9,143	9,339
Cash flows from investing activities		
Proceeds from principal repayments on available for sale securities	4,725	2,003
Proceeds from principal repayments on held to maturity securities	85	98
Net proceeds from sales and calls of available for sale securities	12,057	49,555
Purchases of available for sale securities	(19,311)	(54,290)
Purchase of held to maturity securities	—	(6,852)
Purchase of bank-owned life insurance	—	(5,000)
Net increase in loans	(51,950)	(120,260)
Loan principal sold from loans not originated for sale	(6,009)	(8,911)
Proceeds from sales of loans not originated for sale	6,694	9,421
Purchases of premises and equipment	(2,943)	(291)
Purchase of Federal Home Loan Bank stock	(150)	(90)
Net cash used in investing activities	(56,802)	(134,617)

See accompanying notes to consolidated financial statements (unaudited)

Bankwell Financial Group, Inc.
Consolidated Statements of Cash Flows - (Continued)
(In thousands)

	Six Months Ended June 30,	
	2018	2017
Cash flows from financing activities		
Net change in time certificates of deposit	\$ (11,382)	\$ 53,451
Net change in other deposits	78,616	71,814
Net change in FHLB advances	—	(10,000)
Proceeds from exercise of warrants	400	200
Proceeds from exercise of options	490	515
Dividends paid on common stock	(1,877)	(1,070)
Net cash provided by financing activities	66,247	114,910
Net increase (decrease) in cash and cash equivalents	18,588	(10,368)
Cash and cash equivalents:		
Beginning of year	70,731	96,355
End of period	\$ 89,319	\$ 85,987
Supplemental disclosures of cash flows information:		
Cash paid for:		
Interest	\$ 10,605	\$ 7,528
Income taxes	1,515	3,565
Noncash investing and financing activities		
Net change in unrealized gains or losses on available-for-sale securities	(2,341)	288

See accompanying notes to consolidated financial statements (unaudited)

1. Nature of Operations and Summary of Significant Accounting Policies

Bankwell Financial Group, Inc. (the “Company” or “Bankwell”) is a bank holding company headquartered in New Canaan, Connecticut. The Company offers a broad range of financial services through its banking subsidiary, Bankwell Bank (the “Bank”). The Bank is a Connecticut state chartered commercial bank, founded in 2002, whose deposits are insured under the Deposit Insurance Fund administered by the Federal Deposit Insurance Corporation (“FDIC”). The Bank provides a full range of banking services to commercial and consumer customers, primarily concentrated in the New York metropolitan area and throughout Connecticut, with the majority of our loans in Fairfield and New Haven Counties, Connecticut, with branch locations in New Canaan, Stamford, Fairfield, Wilton, Westport, Darien, Norwalk, Hamden and North Haven Connecticut.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and the Bank, including its wholly owned passive investment company subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“GAAP”) and general practices within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities as of the date of the consolidated balance sheet and revenue and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the allowance for loan losses, stock-based compensation, derivative instrument valuation, investment securities valuation, evaluation of investment securities for other than temporary impairment and deferred income taxes valuation.

Basis of consolidated financial statement presentation

The unaudited consolidated financial statements presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q and Rule 10-1 of Regulation S-X and do not include all of the information and note disclosures required by GAAP. In the opinion of management, all adjustments (consisting of normal recurring adjustments) and disclosures considered necessary for the fair presentation of the accompanying unaudited interim consolidated financial statements have been included. Interim results are not necessarily reflective of the results that may be expected for the year ending December 31, 2018. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included on Form 10-K for the year ended December 31, 2017.

Significant concentrations of credit risk

Most of the Company’s activities are with customers located in the New York metropolitan area and throughout Fairfield and New Haven Counties and the surrounding region of Connecticut, and declines in property values in these areas could significantly impact the Company. The Company has significant concentrations in commercial real estate loans. Management does not believe they present any special risk. The Company does not have any significant concentrations in any one industry or customer.

Reclassification

Certain prior period amounts have been reclassified to conform to the 2018 financial statement presentation. These reclassifications only changed the reporting categories and did not affect the consolidated results of operations or consolidated financial position of the Company.

Recent accounting pronouncements

The following section includes changes in accounting principles and potential effects of new accounting guidance and pronouncements.

ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606): This ASU clarifies the principles for recognizing revenue. The guidance notes that an entity should apply the following steps when recognizing revenue: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. In 2016, the FASB issued further implementation guidance regarding revenue recognition. This additional guidance included clarification on certain principal versus agent considerations within the implementation of the guidance as well as clarification related to identifying performance obligations and licensing. The guidance also requires new qualitative and quantitative disclosures, including disaggregation of revenues and descriptions of performance obligations. The guidance along with its updates is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company adopted the guidance on January 1, 2018 using the modified retrospective method. In evaluating this standard, management has determined that the majority of revenue earned by the Company is from revenue streams not included in the scope of this standard and for in-scope revenue streams management determined that a cumulative-effect adjustment to opening retained earnings as a result of adopting this standard is not needed.

ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): “Recognition and Measurement of Financial Assets and Financial Liabilities.” The ASU has been issued to improve the recognition and measurement of financial instruments by requiring 1) equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; 2) separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements; 3) the use of the exit price notion when measuring fair value of financial instruments for disclosure purposes; and 4) separate presentation by the reporting organization in other comprehensive income for the portion of the total change in the fair value of a liability resulting from the change in the instrument-specific credit risk (also referred to as “own credit”) when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The standard is effective for the Company beginning on January 1, 2018. The adoption of this ASU did not have a material impact on the Company’s financial statements.

ASU No. 2016-02, Leases (Topic 842): The amendments in this ASU require lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases. Accounting by lessors will remain largely unchanged. The guidance will be effective for the Company, on January 1, 2019, with early adoption permitted. Adoption will require a modified retrospective transition where the lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented. The Company does not expect the application of this guidance to have a material impact on the Company’s financial statements.

ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): “Measurement of Credit Losses on Financial Instruments.” The ASU changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking “expected loss” model that will replace today’s “incurred loss” model and can result in the earlier recognition of credit losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to current practice, except that the losses will be recognized as an allowance. The amendments in this update will be effective for the Company on January 1, 2020, including interim periods within that fiscal year. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management is currently evaluating the impact of its pending adoption of this guidance on the Company’s financial statements.

ASU No. 2016-15, Statement of Cash Flows (Topic 230): “Classification of Certain Cash Receipts and Cash Payments.” This ASU changes how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. The amendments address the classification of the following eight items in the statement of cash flows; debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the Predominance Principle. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of this ASU did not have a material impact on the Company’s financial statements.

ASU No. 2016-18, Statement of Cash Flows (Topic 230): “Restricted Cash.” This ASU provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of this ASU did not have a material impact on the Company’s financial statements.

ASU No. 2017-04, Intangibles – Goodwill and Other (Topic 350): “Simplifying the Test for Goodwill Impairment.” This ASU simplifies the test for goodwill impairment by eliminating step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity was required to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, this ASU also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments will be effective for the Company for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect the application of this guidance to have a material impact on the Company’s financial statements.

ASU No. 2017-08, Receivables – Nonrefundable Fees and Other Costs (subtopic 310-20): “Premium Amortization on Purchased Callable Debt Securities.” The amendments in this update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments will be effective for the Company for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company does not expect the application of this guidance to have a material impact on the Company’s financial statements.

ASU No. 2017-09, Compensation – Stock Compensation (Topic 718): The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, early adoption is permitted. The adoption of this ASU did not have a material impact on the Company’s financial statements.

ASU No. 2017-12, Derivatives and Hedging: “Targeted Improvements to Accounting for Hedging Activities” (Topic 815): The purpose of this updated guidance is to better align a company’s financial reporting for hedging activities with the economic objectives of those activities. ASU 2017-12 is effective for public business entities for fiscal years beginning after December 15, 2018, with early adoption, including adoption in an interim period, permitted. This ASU requires a modified retrospective transition method in which the Company will recognize the cumulative effect of the change on the opening balance of each affected component of equity in the statement of financial position as of the date of adoption. The Company does not expect the application of this guidance to have a material impact on the Company’s financial statements.

ASU No. 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): This update requires a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate tax rate. The amount of the reclassification would be the difference between the historical 35% corporate income tax rate and the newly enacted 21% corporate tax rate. The amendments would be effective for all entities for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption of the amendments would be permitted including adoption in any interim period, for public business entities for reporting periods for which financial statements have not yet been issued and all other entities for reporting periods for which financial statements have not yet been made available for

issuance. An entity would apply the amendments in the update retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act of 2017 is recognized. The Company elected to adopt this update and recorded a \$0.3 million reduction to retained earnings and increase to accumulated other comprehensive income as of December 31, 2017 .

ASU No. 2018-03, Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): The purpose of this update is to clarify certain aspects of the guidance in ASU No. 2016-01 regarding equity securities without a readily determinable fair value, forward contracts and purchased options, presentation requirements for certain fair value option liabilities, fair value option liabilities denominated in a foreign currency, and transition guidance for equity securities without a readily determinable fair value. Public business entities with fiscal years beginning between December 15, 2017 and June 15, 2018, are not required to adopt these amendments until the interim period beginning after June 15, 2018 and public business entities with fiscal years beginning between June 15, 2018 and December 15, 2018 are not required to adopt these amendments before adopting the amendments in update 2016-01. The Company does not expect the application of this guidance to have a material impact on the Company's financial statements.

ASU No. 2018-07, Compensation-Stock Compensation (Topic 718) : "Improvements to Nonemployee Share-Based Payment Accounting" (ASU 2018-07) . The amendments in this update expand the scope of Topic 718 to include share based payments to nonemployees. An entity is required to apply the requirements of Topic 718 to nonemployee awards except for specific guidance related to option pricing models and the attribution of cost. ASU 2018-07 will be effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods in the year of adoption. Early adoption is permitted for any interim or annual period. The Company does not expect the application of this guidance to have a material impact on the Company's financial statements.

2. Investment Securities

The amortized cost, gross unrealized gains and losses and fair value of available for sale and held to maturity securities at June 30, 2018 were as follows:

	June 30, 2018			
	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
	(In thousands)			
Available for sale securities:				
U.S. Government and agency obligations				
Due from one through five years	\$ 13,012	\$ —	\$ (271)	\$ 12,741
Due from five through ten years	100	—	(7)	93
Due after ten years	70,283	—	(1,862)	68,421
	83,395	—	(2,140)	81,255
State agency and municipal obligations				
Due from one through five years	2,208	15	—	2,223
Due from five through ten years	1,569	18	—	1,587
Due after ten years	589	—	(54)	535
	4,366	33	(54)	4,345
Corporate bonds				
Due from one through five years	7,078	—	(70)	7,008
Total available for sale securities	\$ 94,839	\$ 33	\$ (2,264)	\$ 92,608
Held to maturity securities:				
State agency and municipal obligations				
Less than one year	\$ 3,887	\$ 13	\$ —	\$ 3,900
Due after ten years	16,516	631	(206)	16,941
	20,403	644	(206)	20,841
Corporate bonds				
Due from one through five years	1,000	—	(9)	991
Government-sponsored mortgage backed securities				
No contractual maturity	102	7	—	109
Total held to maturity securities	\$ 21,505	\$ 651	\$ (215)	\$ 21,941

The amortized cost, gross unrealized gains and losses and fair value of available for sale and held to maturity securities at December 31, 2017 were as follows:

	December 31, 2017			
	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
	(In thousands)			
Available for sale securities:				
U.S. Government and agency obligations				
Due from one through five years	\$ 13,000	\$ —	\$ (82)	\$ 12,918
Due from five through ten years	100	—	(4)	96
Due after ten years	59,924	10	(174)	59,760
	73,024	10	(260)	72,774
State agency and municipal obligations				
Due from one through five years	2,873	84	—	2,957
Due from five through ten years	7,386	228	—	7,614
Due after ten years	1,700	33	(27)	1,706
	11,959	345	(27)	12,277
Corporate bonds				
Due from one through five years	7,096	41	—	7,137
Total available for sale securities	\$ 92,079	\$ 396	\$ (287)	\$ 92,188
Held to maturity securities:				
State agency and municipal obligations				
Less than one year	\$ 198	\$ 5	\$ —	\$ 203
Due from one through five years	3,880	20	—	3,900
Due after ten years	16,387	1,227	—	17,614
	20,465	1,252	—	21,717
Corporate bonds				
Due from one through five years	1,000	—	(5)	995
Government-sponsored mortgage backed securities				
No contractual maturity	114	10	—	124
Total held to maturity securities	\$ 21,579	\$ 1,262	\$ (5)	\$ 22,836

The gross realized gains on the sale of investment securities totaled \$0.2 million for the six months ended June 30, 2018 . The gross realized losses on the sale of investment securities totaled \$2.0 thousand for the six months ended June 30, 2018 . Sales proceeds and calls totaled \$12.1 million for the six months ended June 30, 2018 . There were no sales of investment securities during the three months ended June 30, 2018 . The gross realized gains on the sale of investment securities totaled \$0.2 million for the six months ended June 30, 2017 . There were no gross realized losses on the sale of investment securities for the six months ended June 30, 2017 . Sales proceeds and calls totaled \$49.6 million for the six months ended June 30, 2017 . There were no sales of investment securities during the three months ended June 30, 2017 .

At June 30, 2018 and December 31, 2017 there were no securities pledged as collateral with the Federal Home Loan Bank ("FHLB") or any other institution.

The following table provides information regarding investment securities with unrealized losses, aggregated by investment category and length of time that individual securities had been in a continuous unrealized loss position at June 30, 2018 and December 31, 2017 :

	Length of Time in Continuous Unrealized Loss Position								
	Less Than 12 Months			12 Months or More			Total		
	Fair Value	Unrealized Loss	Percent Decline from Amortized Cost	Fair Value	Unrealized Loss	Percent Decline from Amortized Cost	Fair Value	Unrealized Loss	Percent Decline from Amortized Cost
<i>(In thousands)</i>									
June 30, 2018									
U.S. Government and agency obligations	\$ 78,009	\$ (2,040)	2.55%	\$ 3,246	\$ (100)	2.97%	\$ 81,255	\$ (2,140)	2.57%
State agency and municipal obligations	11,188	(206)	1.81%	535	(54)	9.19%	11,723	(260)	2.17%
Corporate bonds	7,008	(70)	0.99%	991	(9)	0.88%	7,999	(79)	0.98%
Total investment securities	<u>\$ 96,205</u>	<u>\$ (2,316)</u>	<u>2.35%</u>	<u>\$ 4,772</u>	<u>\$ (163)</u>	<u>3.29%</u>	<u>\$ 100,977</u>	<u>\$ (2,479)</u>	<u>2.40%</u>
December 31, 2017									
U.S. Government and agency obligations	\$ 70,419	\$ (225)	0.32%	\$ 2,064	\$ (35)	1.67%	\$ 72,483	\$ (260)	0.36%
State agency and municipal obligations	92	—	0.16%	656	(27)	3.95%	748	(27)	3.50%
Corporate bonds	—	—	—%	995	(5)	0.50%	995	(5)	0.50%
Total investment securities	<u>\$ 70,511</u>	<u>\$ (225)</u>	<u>0.32%</u>	<u>\$ 3,715</u>	<u>\$ (67)</u>	<u>1.77%</u>	<u>\$ 74,226</u>	<u>\$ (292)</u>	<u>0.39%</u>

There were twenty-five and fifteen investment securities as of June 30, 2018 and December 31, 2017 , respectively, in which the fair value of the security was less than the amortized cost of the security.

The U.S. Government and agency obligations owned are either direct obligations of the U.S. Government or guaranteed by the U.S. Government, therefore the contractual cash flows are guaranteed and as a result the unrealized losses in this portfolio are not considered other than temporarily impaired.

The Company continually monitors its state agency, municipal and corporate bond portfolios and at this time these portfolios have minimal default risk because state agency, municipal and corporate bonds are all rated investment grade or deemed to be of investment grade quality.

The Company has the intent and ability to retain its investment securities in an unrealized loss position at June 30, 2018 until the decline in value has recovered or the security has matured.

3. Loans Receivable and Allowance for Loan Losses

The following table sets forth a summary of the loan portfolio at June 30, 2018 and December 31, 2017 :

<i>(In thousands)</i>	June 30, 2018	December 31, 2017
Real estate loans:		
Residential	\$ 188,546	\$ 193,524
Commercial	1,042,689	987,242
Construction	100,147	101,636
	<u>1,331,382</u>	<u>1,282,402</u>
Commercial business	262,625	259,995
Consumer	406	619
Total loans	<u>1,594,413</u>	<u>1,543,016</u>
Allowance for loan losses	(19,006)	(18,904)
Deferred loan origination fees, net	(2,824)	(3,242)
Unamortized loan premiums	8	9
Loans receivable, net	<u><u>\$ 1,572,591</u></u>	<u><u>\$ 1,520,879</u></u>

Lending activities are conducted principally in the New York metropolitan area, including the Fairfield and New Haven County regions of Connecticut, and consist of commercial real estate loans, commercial business loans and a variety of consumer loans. Loans may also be granted for the construction of residential homes and commercial properties. The majority of commercial mortgage loans are collateralized by first or second mortgages on real estate.

Risk management

The Company has established credit policies applicable to each type of lending activity in which it engages. The Company evaluates the creditworthiness of each customer and extends credit of up to 80% of the market value of the collateral, depending on the borrower's creditworthiness and the type of collateral. The borrower's ability to service the debt is monitored on an ongoing basis. Real estate is the primary form of collateral. Other important forms of collateral are business assets, time deposits and marketable securities. While collateral provides assurance as a secondary source of repayment, the Company ordinarily requires the primary source of repayment for commercial loans to be based on the borrower's ability to generate continuing cash flows. In the fourth quarter of 2017, management made the strategic decision to cease the origination of residential mortgage loans. The Company's policy for residential lending allowed that, generally, the amount of the loan may not exceed 80% of the original appraised value of the property. In certain situations, the amount may have exceeded 80% LTV either with private mortgage insurance being required for that portion of the residential loan in excess of 80% of the appraised value of the property or where secondary financing is provided by a housing authority program second mortgage, a community's low/moderate income housing program, or a religious or civic organization.

Credit quality of loans and the allowance for loan losses

Management segregates the loan portfolio into defined segments, which are used to develop and document a systematic method for determining its allowance for loan losses. The portfolio segments are segregated based on loan types and the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate.

The Company's loan portfolio is segregated into the following portfolio segments:

Commercial Real Estate: This portfolio segment includes loans secured by commercial real estate, multi-family dwellings and investor-owned one-to-four family dwellings. Loans secured by commercial real estate generally have larger loan balances and more credit risk than owner occupied one-to-four family mortgage loans.

Construction: This portfolio segment includes commercial construction loans for commercial development projects, including condominiums, apartment buildings, and single family subdivisions as well as office buildings, retail and other income producing properties and land loans, which are loans made with land as collateral. In addition, this portfolio includes residential construction loans to individuals to finance the construction of residential dwellings for personal use located in our market area. Construction and land development financing generally involves greater credit risk than long-term financing on improved, owner-occupied or leased real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost proves to be inaccurate, the Company may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project proves to be inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment through sale or refinance. Construction loans also expose the Company to the risks that improvements will not be completed on time in accordance with specifications and projected costs and that repayment will depend on the successful operation or sale of the properties, which may cause some borrowers to be unable to continue paying debt service, which exposes the Company to greater risk of non-payment and loss.

Commercial Business: This portfolio segment includes commercial business loans secured by assignments of corporate assets and personal guarantees of the business owners. Commercial business loans generally have higher interest rates and shorter terms than other loans, but they also have increased difficulty of loan monitoring and a higher risk of default since their repayment generally depends on the successful operation of the borrower's business.

Consumer: This portfolio segment includes loans secured by savings or certificate accounts, or automobiles, as well as unsecured personal loans and overdraft lines of credit. This type of loan entails greater risk than residential mortgage loans, particularly in the case of loans that are unsecured or secured by assets that depreciate rapidly.

Residential Real Estate: This portfolio segment consists of first mortgage loans secured by one-to-four family owner occupied residential properties for personal use located in our market area. This segment also includes home equity loans and home equity lines of credit secured by owner occupied one-to-four family residential properties. Loans of this type are written at a combined maximum of 80% of the appraised value of the property and the Company requires a first or second lien position on the property. These loans can be affected by economic conditions and the values of the underlying properties.

Allowance for loan losses

As of December 31, 2017 the Company changed its methodology to estimate its allowance for loan losses. The change in methodology resulted in an update to the underlying loan loss assumptions, incorporating the most recent industry, peer and product loss trends. This resulted in a non-recurring, pretax \$1.3 million reduction in the reserve during the fourth quarter of 2017 and for the year ended December 31, 2017 .

The following tables set forth the activity in the Company's allowance for loan losses for the three and six months ended June 30, 2018 and 2017, by portfolio segment:

	Residential Real Estate	Commercial Real Estate	Construction	Commercial Business	Consumer	Total
<i>(In thousands)</i>						
Three Months Ended June 30, 2018						
Beginning balance	\$ 1,695	\$ 12,645	\$ 767	\$ 3,692	\$ 2	\$ 18,801
Charge-offs	(56)	—	—	—	(57)	(113)
Recoveries	—	—	—	4	4	8
(Credits) Provisions	(889)	1,540	(286)	(107)	52	310
Ending balance	<u>\$ 750</u>	<u>\$ 14,185</u>	<u>\$ 481</u>	<u>\$ 3,589</u>	<u>\$ 1</u>	<u>\$ 19,006</u>
Three Months Ended June 30, 2017						
Beginning balance	\$ 1,647	\$ 9,549	\$ 2,122	\$ 4,821	\$ 372	\$ 18,511
Charge-offs	—	—	—	—	(16)	(16)
Recoveries	146	—	—	—	—	146
(Credits) Provisions	(160)	146	146	743	20	895
Ending balance	<u>\$ 1,633</u>	<u>\$ 9,695</u>	<u>\$ 2,268</u>	<u>\$ 5,564</u>	<u>\$ 376</u>	<u>\$ 19,536</u>
Six Months Ended June 30, 2018						
Beginning balance	\$ 1,721	\$ 12,777	\$ 907	\$ 3,498	\$ 1	\$ 18,904
Charge-offs	(56)	(18)	—	(96)	(60)	(230)
Recoveries	—	—	—	4	5	9
(Credits) Provisions	(915)	1,426	(426)	183	55	323
Ending balance	<u>\$ 750</u>	<u>\$ 14,185</u>	<u>\$ 481</u>	<u>\$ 3,589</u>	<u>\$ 1</u>	<u>\$ 19,006</u>

	Residential Real Estate	Commercial Real Estate	Construction	Commercial Business	Consumer	Total
<i>(In thousands)</i>						
Six Months Ended June 30, 2017						
Beginning balance	\$ 1,654	\$ 9,563	\$ 2,105	\$ 4,283	\$ 377	\$ 17,982
Charge-offs	—	—	—	—	(31)	\$ (31)
Recoveries	146	—	—	—	1	147
(Credits) Provisions	(167)	132	163	1,281	29	1,438
Ending balance	<u>\$ 1,633</u>	<u>\$ 9,695</u>	<u>\$ 2,268</u>	<u>\$ 5,564</u>	<u>\$ 376</u>	<u>\$ 19,536</u>

Loans evaluated for impairment and the related allowance for loan losses as of June 30, 2018 and December 31, 2017 were as follows:

	Portfolio	Allowance
	(In thousands)	
June 30, 2018		
Loans individually evaluated for impairment:		
Residential real estate	\$ 7,317	\$ —
Commercial real estate	23,935	2,844
Commercial business	5,914	675
Consumer	5	—
Subtotal	37,171	3,519
Loans collectively evaluated for impairment:		
Residential real estate	181,229	750
Commercial real estate	1,018,754	11,341
Construction	100,147	481
Commercial business	256,711	2,914
Consumer	401	1
Subtotal	1,557,242	15,487
Total	\$ 1,594,413	\$ 19,006
	Portfolio	Allowance
	(In thousands)	
December 31, 2017		
Loans individually evaluated for impairment:		
Residential real estate	\$ 4,607	\$ 8
Commercial real estate	7,586	876
Commercial business	2,660	71
Subtotal	14,853	955
Loans collectively evaluated for impairment:		
Residential real estate	188,917	1,713
Commercial real estate	979,656	11,901
Construction	101,636	907
Commercial business	257,335	3,427
Consumer	619	1
Subtotal	1,528,163	17,949
Total	\$ 1,543,016	\$ 18,904

Credit quality indicators

To measure credit risk for the loan portfolios, the Company employs a credit risk rating system. This risk rating represents an assessed level of a loan's risk based on the character and creditworthiness of the borrower/guarantor, the capacity of the borrower to adequately service the debt, any credit enhancements or additional sources of repayment, and the quality, value and coverage of the collateral, if any.

The objectives of the Company's risk rating system are to provide the Board of Directors and senior management with an objective assessment of the overall quality of the loan portfolio, to promptly and accurately identify loans with well-defined credit weaknesses so that timely action can be taken to minimize credit loss, to identify relevant trends affecting the collectability of the loan portfolio, to isolate potential problem areas and to provide essential information for determining the adequacy of the allowance for loan losses. The Company's credit risk rating system has nine grades, with each grade corresponding to a progressively greater risk of default. Risk ratings of 1 through 5 are "Pass" categories and risk ratings of 6 through 9 are criticized asset categories as defined by the regulatory agencies.

A "Special Mention" (6) credit has a potential weakness which, if uncorrected, may result in a deterioration of the repayment prospects or inadequately protect the Company's credit position at some time in the future. "Substandard" (7) loans are credits that have a well-defined weakness or weaknesses that jeopardize the full repayment of the debt. An asset rated "Doubtful" (8) has all the weaknesses inherent in a substandard asset and which, in addition, make collection or liquidation in full highly questionable and improbable, when considering existing facts, conditions, and values. Loans classified as "Loss" (9) are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value; rather, it is not practical or desirable to defer writing-off this basically worthless asset even though partial recovery may be made in the future.

Risk ratings are assigned as necessary to differentiate risk within the portfolio. They are reviewed on an ongoing basis through the annual loan review process performed by Company personnel, normal renewal activity and the quarterly watchlist and watched asset report process. They are revised to reflect changes in the borrower's financial condition and outlook, debt service coverage capability, repayment performance, collateral value and coverage as well as other considerations. In addition to internal review at multiple points, outsourced loan review opines on risk ratings with regard to the sample of loans their review covers.

The following table presents credit risk ratings by loan segment as of June 30, 2018 and December 31, 2017 :

Commercial Credit Quality Indicators									
June 30, 2018					December 31, 2017				
Commercial Real Estate	Construction	Commercial Business	Total		Commercial Real Estate	Construction	Commercial Business	Total	
(In thousands)									
Pass	\$ 1,015,217	\$ 89,662	\$ 252,367	\$ 1,357,246	\$ 960,902	\$ 101,636	\$ 252,570	\$ 1,315,108	
Special Mention	3,537	10,485	4,344	18,366	9,371	—	4,019	13,390	
Substandard	23,809	—	5,810	29,619	16,969	—	3,297	20,266	
Doubtful	126	—	104	230	—	—	109	109	
Total loans	\$ 1,042,689	\$ 100,147	\$ 262,625	\$ 1,405,461	\$ 987,242	\$ 101,636	\$ 259,995	\$ 1,348,873	

Residential and Consumer Credit Quality Indicators								
June 30, 2018					December 31, 2017			
Residential Real Estate	Consumer	Total	Residential Real Estate	Consumer	Total			
(In thousands)								
Pass	\$ 180,901	\$ 401	\$ 181,302	\$ 188,917	\$ 619	\$ 189,536		
Special Mention	328	—	328	—	—	—		
Substandard	7,317	5	7,322	4,607	—	4,607		
Total loans	\$ 188,546	\$ 406	\$ 188,952	\$ 193,524	\$ 619	\$ 194,143		

Loan portfolio aging analysis

When a loan is 15 days past due, the Company sends the borrower a late notice. The Company also contacts the borrower by phone if the delinquency is not corrected promptly after the notice has been sent.

When the loan is 30 days past due, the Company mails the borrower a letter reminding the borrower of the delinquency, and attempts to contact the borrower personally to determine the reason for the delinquency and ensure the borrower understands the terms of the loan. If necessary, on the subsequent 90th day of delinquency, the Company may take other appropriate legal action. A summary report of all loans 30 days or more past due is provided to the Board of Directors of the Company periodically. Loans greater than 90 days past due are generally put on nonaccrual status. A nonaccrual loan is restored to accrual status when it is no longer delinquent and collectability of interest and principal is no longer in doubt. A loan is considered to be no longer delinquent when timely payments are made for a period of at least six months (one year for loans providing for quarterly or semi-annual payments) by the borrower in accordance with the contractual terms.

The following tables set forth certain information with respect to our loan portfolio delinquencies by portfolio segment and amount as of June 30, 2018 and December 31, 2017 :

	June 30, 2018					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans
	(In thousands)					
Real estate loans:						
Residential real estate	\$ 3,074	\$ —	\$ 1,160	\$ 4,234	\$ 184,312	\$ 188,546
Commercial real estate	1,140	—	14,517	15,657	1,027,032	1,042,689
Construction	2,895	—	—	2,895	97,252	100,147
Commercial business	259	462	3,818	4,539	258,086	262,625
Consumer	—	1	—	1	405	406
Total loans	\$ 7,368	\$ 463	\$ 19,495	\$ 27,326	\$ 1,567,087	\$ 1,594,413

	December 31, 2017					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans
	(In thousands)					
Real estate loans:						
Residential real estate	\$ 1,248	\$ 2,244	\$ 1,161	\$ 4,653	\$ 188,871	\$ 193,524
Commercial real estate	10,028	4,116	2,074	16,218	971,024	987,242
Construction	—	—	—	—	101,636	101,636
Commercial business	4,318	162	481	4,961	255,034	259,995
Consumer	3	—	2	5	614	619
Total loans	\$ 15,597	\$ 6,522	\$ 3,718	\$ 25,837	\$ 1,517,179	\$ 1,543,016

There were no loans delinquent greater than 90 days and still accruing as of June 30, 2018 and December 31, 2017 .

Loans on nonaccrual status

The following is a summary of nonaccrual loans by portfolio segment as of June 30, 2018 and December 31, 2017 :

	June 30, 2018		December 31, 2017	
	(In thousands)			
Residential real estate	\$	3,619	\$	1,590
Commercial real estate		15,745		3,371
Commercial business		3,961		520
Total	\$	23,325	\$	5,481

At June 30, 2018 and December 31, 2017 , there were no commitments to lend additional funds to any borrower on nonaccrual status. Nonaccrual loans with no specific reserve totaled \$6.1 million and \$3.5 million at June 30, 2018 and December 31, 2017 , respectively.

Impaired loans

An impaired loan generally is one for which it is probable, based on current information, the Company will not collect all the amounts due in accordance with the contractual terms of the loan. Loans are individually evaluated for impairment. When the Company classifies a problem loan as impaired, it evaluates whether a specific valuation allowance is required for that portion of the asset that is estimated to be uncollectible.

The following table summarizes impaired loans by portfolio segment as of June 30, 2018 and December 31, 2017 :

	Carrying Amount		Unpaid Principal Balance		Associated Allowance	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
(In thousands)						
Impaired loans without a valuation allowance:						
Residential real estate	\$ 7,317	\$ 3,515	\$ 7,395	\$ 3,556	\$ —	\$ —
Commercial real estate	8,781	1,841	8,921	1,915	—	—
Commercial business	2,029	1,950	2,112	2,024	—	—
Consumer	5	—	5	—	—	—
Total impaired loans without a valuation allowance	18,132	7,306	18,433	7,495	—	—
Impaired loans with a valuation allowance:						
Residential real estate	\$ —	\$ 1,092	\$ —	\$ 1,092	\$ —	\$ 8
Commercial real estate	15,154	5,745	15,174	5,745	2,844	876
Commercial business	3,885	710	3,905	712	675	71
Total impaired loans with a valuation allowance	19,039	7,547	19,079	7,549	3,519	955
Total impaired loans	\$ 37,171	\$ 14,853	\$ 37,512	\$ 15,044	\$ 3,519	\$ 955

The following table summarizes the average carrying amount of impaired loans and interest income recognized on impaired loans by portfolio segment as of June 30, 2018 and June 30, 2017 :

	Average Carrying Amount		Interest Income Recognized	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2018	2017	2018	2017
<i>(In thousands)</i>				
Impaired loans without a valuation allowance:				
Residential real estate	\$ 7,334	\$ 2,710	\$ 29	\$ —
Commercial real estate	8,827	1,720	4	5
Commercial business	2,060	2,824	76	7
Consumer	6	—	—	—
Total impaired loans without a valuation allowance	18,227	7,254	109	12
Impaired loans with a valuation allowance:				
Commercial real estate	\$ 15,168	\$ 478	\$ —	\$ —
Commercial business	3,222	1,599	3	4
Consumer	—	371	—	—
Total impaired loans with a valuation allowance	18,390	2,448	3	4
Total impaired loans	\$ 36,617	\$ 9,702	\$ 112	\$ 16

	Average Carrying Amount		Interest Income Recognized	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<i>(In thousands)</i>				
Impaired loans without a valuation allowance:				
Residential real estate	\$ 7,347	\$ 2,717	\$ 77	\$ —
Commercial real estate	8,878	1,757	80	19
Commercial business	2,086	2,850	154	15
Consumer	6	—	—	—
Total impaired loans without a valuation allowance	18,317	7,324	311	34
Impaired loans with a valuation allowance:				
Commercial real estate	\$ 15,170	\$ 480	\$ 53	\$ 4
Commercial business	2,347	1,619	25	9
Consumer	—	371	—	—
Total impaired loans with a valuation allowance	17,517	2,470	78	13
Total impaired loans	\$ 35,834	\$ 9,794	\$ 389	\$ 47

Troubled debt restructurings ("TDR"s)

Modifications to a loan are considered to be a troubled debt restructuring when one or both of the following conditions is met: 1) the borrower is experiencing financial difficulties and/or 2) the modification constitutes a concession that is not in line with market rates and/or terms. Modified terms are dependent upon the financial position and needs of the individual borrower. Troubled debt restructurings are classified as impaired loans.

If a performing loan is restructured into a TDR, it remains in performing status. If a nonperforming loan is restructured into a TDR, it continues to be carried in nonaccrual status. Nonaccrual classification may be removed if the borrower demonstrates compliance with the modified terms for a minimum of six months.

Loans classified as TDRs totaled \$7.4 million at June 30, 2018 and \$4.9 million at December 31, 2017 . The following table provides information on loans that were modified as TDRs during the periods indicated.

<i>(Dollars in thousands)</i>	Number of Loans		Outstanding Recorded Investment			
			Pre-Modification		Post-Modification	
	2018	2017	2018	2017	2018	2017
Three Months Ended June 30,						
Residential real estate	—	1	\$ —	\$ 1,040	\$ —	\$ 1,040
Commercial business	—	2	—	345	—	345
Total	<u>—</u>	<u>3</u>	<u>\$ —</u>	<u>\$ 1,385</u>	<u>\$ —</u>	<u>\$ 1,385</u>

<i>(Dollars in thousands)</i>	Number of Loans		Outstanding Recorded Investment			
			Pre-Modification		Post-Modification	
	2018	2017	2018	2017	2018	2017
Six Months Ended June 30,						
Residential real estate	2	1	\$ 2,826	\$ 1,040	\$ 2,822	\$ 1,040
Commercial business	1	2	37	345	29	345
Total	<u>3</u>	<u>3</u>	<u>\$ 2,863</u>	<u>\$ 1,385</u>	<u>\$ 2,851</u>	<u>\$ 1,385</u>

At June 30, 2018 and December 31, 2017 there were five nonaccrual loans identified as TDRs totaling \$2.6 million and four nonaccrual loans identified as TDRs totaling \$0.6 million , respectively.

The following table provides information on how loans were modified as TDRs during the three and six months ended June 30, 2018 and 2017 :

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	<i>(In thousands)</i>			
Payment concession	\$ —	\$ 104	\$ 2,101	\$ 104
Maturity concession	—	241	—	241
Maturity and payment concession	—	—	750	—
Rate and payment concession	—	1,040	—	1,040
Total	<u>\$ —</u>	<u>\$ 1,385</u>	<u>\$ 2,851</u>	<u>\$ 1,385</u>

There was one loan modified in a troubled debt restructuring, for which there was a payment default as of June 30, 2018 . The total recorded investment in this loan was \$2.1 million at June 30, 2018 . There were no loans modified in a troubled debt restructuring, for which there was a payment default at June 30, 2017.

4. Shareholders' Equity

Common stock

The Company has 10,000,000 shares authorized and 7,841,720 shares issued and outstanding at June 30, 2018 and 10,000,000 shares authorized and 7,751,424 shares issued and outstanding at December 31, 2017. The Company's stock is traded on the NASDAQ stock exchange under the ticker symbol BWFG.

Warrants

On October 1, 2014, the Company acquired Quinnipiac Bank and Trust Co. and, in connection therewith, the Company issued 68,600 warrants to former Quinnipiac warrant holders in accordance with the merger agreement. Each warrant was automatically converted into a warrant to purchase 0.56 shares of the Company's common stock for an exercise price of \$17.86. During the first quarter of 2018 all remaining warrants were exercised. The Company does not have any warrants outstanding as of June 30, 2018.

Dividends

The Company's shareholders are entitled to dividends when and if declared by the Board of Directors, out of funds legally available. The ability of the Company to pay dividends depends, in part, on the ability of the Bank to pay dividends to the Company. In accordance with Connecticut statutes, regulatory approval is required to pay dividends in excess of the Bank's profits retained in the current year plus retained profits from the previous two years. The Bank is also prohibited from paying dividends that would reduce its capital ratios below minimum regulatory requirements.

The Company did not repurchase any of its common stock during the six months ended June 30, 2018 or during the year ended December 31, 2017.

5. Comprehensive Income

Comprehensive income represents the sum of net income and items of other comprehensive income or loss, including net unrealized gains or losses on securities available for sale and net unrealized gains or losses on derivatives. The Company's total comprehensive income or loss for the three and six months ended June 30, 2018 and 2017 is reported in the Consolidated Statements of Comprehensive Income.

The following tables present the changes in accumulated other comprehensive income (loss) by component, net of tax for the three and six months ended June 30, 2018 and 2017 :

	Net Unrealized Loss on Available for Sale Securities	Net Unrealized Gain on Interest Rate Swap	Total
	<i>(In thousands)</i>		
Balance at March 31, 2018	\$ (1,302)	\$ 3,191	\$ 1,889
Other comprehensive loss before reclassifications, net of tax	(462)	(148)	(610)
Net other comprehensive loss	(462)	(148)	(610)
Balance at June 30, 2018	<u>\$ (1,764)</u>	<u>\$ 3,043</u>	<u>\$ 1,279</u>

	Net Unrealized Gain on Available for Sale Securities	Net Unrealized Gain on Interest Rate Swap	Total
	<i>(In thousands)</i>		
Balance at March 31, 2017	\$ 406	\$ 623	\$ 1,029
Other comprehensive income (loss) before reclassifications, net of tax	190	(197)	(7)
Net other comprehensive income (loss)	190	(197)	(7)
Balance at June 30, 2017	<u>\$ 596</u>	<u>\$ 426</u>	<u>\$ 1,022</u>

	Net Unrealized Gain (Loss) on Available for Sale Securities	Net Unrealized Gain on Interest Rate Swap	Total
	<i>(In thousands)</i>		
Balance at December 31, 2017	\$ 85	\$ 1,609	\$ 1,694
Other comprehensive (loss) income before reclassifications, net of tax	(1,674)	1,434	(240)
Amounts reclassified from accumulated other comprehensive income, net of tax	(175)	—	(175)
Net other comprehensive (loss) income	(1,849)	1,434	(415)
Balance at June 30, 2018	<u>\$ (1,764)</u>	<u>\$ 3,043</u>	<u>\$ 1,279</u>

	Net Unrealized Gain on Available for Sale Securities	Net Unrealized Gain on Interest Rate Swap	Total
	<i>(In thousands)</i>		
Balance at December 31, 2016	\$ 409	\$ 481	\$ 890
Other comprehensive income (loss) before reclassifications, net of tax	295	(55)	240
Amounts reclassified from accumulated other comprehensive income, net of tax	(108)	—	(108)
Net other comprehensive income (loss)	187	(55)	132
Balance at June 30, 2017	<u>\$ 596</u>	<u>\$ 426</u>	<u>\$ 1,022</u>

The following table provides information for the items reclassified from accumulated other comprehensive income or loss:

Accumulated Other Comprehensive Income Components	For the Six Months Ended June 30,		Associated Line Item in the Consolidated Statements of Income
	2018	2017	
(In thousands)			
Available-for-sale securities:			
Unrealized gains on investments	\$ 222	\$ 165	Net gain on sale of available for sale securities
Tax expense	(47)	(57)	Income tax expense
Net of tax	\$ 175	\$ 108	

6. Earnings per Share ("EPS")

Unvested restricted stock awards that contain non-forfeitable rights to dividends are participating securities and are included in the computation of EPS pursuant to the two-class method. The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. The Company's unvested restricted stock awards qualify as participating securities.

Net income is allocated between the common stock and participating securities pursuant to the two-class method. Basic EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period, excluding participating unvested restricted stock awards.

Diluted EPS is computed in a similar manner, except that the denominator includes the number of additional common shares that would have been outstanding if potentially dilutive common shares were issued using the treasury stock method.

The following is a reconciliation of earnings available to common shareholders and basic weighted average common shares outstanding to diluted weighted average common shares outstanding, reflecting the application of the two-class method:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<i>(In thousands, except per share data)</i>				
Net income	\$ 4,715	\$ 3,769	\$ 9,315	\$ 7,471
Dividends to participating securities ⁽¹⁾	(13)	(7)	(26)	(14)
Undistributed earnings allocated to participating securities ⁽¹⁾	(54)	(44)	(101)	(86)
Net income for earnings per share calculation	<u>\$ 4,648</u>	<u>\$ 3,718</u>	<u>\$ 9,188</u>	<u>\$ 7,371</u>
Weighted average shares outstanding, basic	7,723	7,551	7,700	7,538
Effect of dilutive equity-based awards ⁽²⁾	39	95	47	100
Weighted average shares outstanding, diluted	<u>7,762</u>	<u>7,646</u>	<u>7,747</u>	<u>7,638</u>
Net earnings per common share:				
Basic earnings per common share	\$ 0.60	\$ 0.49	\$ 1.19	\$ 0.98
Diluted earnings per common share	\$ 0.60	\$ 0.49	\$ 1.19	\$ 0.97

(1) Represents dividends paid and undistributed earnings allocated to unvested stock-based awards that contain non-forfeitable rights to dividends.

(2) Represents the effect of the assumed exercise of stock options and the vesting of restricted shares, as applicable, utilizing the treasury stock method.

7. Regulatory Matters

The Federal Reserve, the FDIC and the other federal and state bank regulatory agencies establish regulatory capital guidelines for U.S. banking organizations.

As of January 1, 2015, the Company and the Bank became subject to new capital rules set forth by the Federal Reserve, the FDIC and the other federal and state bank regulatory agencies. The capital rules revise the banking agencies' leverage and risk-based capital requirements and the method for calculating risk weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act (the Basel III Capital Rules).

The Basel III Capital Rules establish a minimum Common Equity Tier 1 capital requirement of 4.5% of risk-weighted assets; set the minimum leverage ratio at 4.0% of total assets; increased the minimum Tier 1 capital to risk-weighted assets requirement from 4.0% to 6.0% ; and retained the minimum total capital to risk weighted assets requirement at 8.0% . A "well-capitalized" institution must generally maintain capital ratios 100-200 basis points higher than the minimum guidelines.

The Basel III Capital Rules also change the risk weights assigned to certain assets. The Basel III Capital Rules assigned a higher risk weight (150%) to loans that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The Basel III Capital Rules also alter the risk weighting for other assets, including marketable equity securities that are risk weighted generally at 300% . The Basel III Capital Rules require certain components of accumulated other comprehensive income (loss) to be included for purposes of calculating regulatory capital requirements unless a one-time opt-out is exercised. The Bank did exercise its opt-out option and will exclude the unrealized gain (loss) on investment securities component of accumulated other comprehensive income (loss) from regulatory capital.

The Basel III Capital Rules limit a banking organization's capital distributions and certain discretionary bonus payments to executive officers if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of regulatory risk based capital ratios in addition to the amount necessary to meet its minimum risk-based capital requirements. The required minimum conservation buffer began to be phased in incrementally, starting at 0.625% on January 1, 2016, increased to 1.25% on January 1, 2017, increased to 1.875% on January 1, 2018 and will continue to increase to 2.5% on January 1, 2019.

Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements.

As of June 30, 2018 , the Bank and Company have met all capital adequacy requirements to which they are subject. There are no conditions or events since then that management believes have changed this conclusion.

The capital amounts and ratios for the Bank and the Company at June 30, 2018 and December 31, 2017 were as follows:

<i>(Dollars in thousands)</i>	Actual Capital		Minimum Regulatory Capital Required for Capital Adequacy plus Capital Conservation Buffer		Minimum Regulatory Capital to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Bankwell Bank						
<u>June 30, 2018</u>						
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 185,340	11.31%	\$ 104,433	6.38%	\$ 106,481	6.50%
Total Capital to Risk-Weighted Assets	204,346	12.47%	161,769	9.88%	163,817	10.00%
Tier I Capital to Risk-Weighted Assets	185,340	11.31%	129,006	7.88%	131,054	8.00%
Tier I Capital to Average Assets	185,340	10.03%	73,937	4.00%	92,421	5.00%

Bankwell Financial Group, Inc.

<u>June 30, 2018</u>						
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 165,411	10.07%	\$ 104,693	6.38%	N/A	N/A
Total Capital to Risk-Weighted Assets	209,576	12.76%	162,172	9.88%	N/A	N/A
Tier I Capital to Risk-Weighted Assets	165,441	10.07%	129,327	7.88%	N/A	N/A
Tier I Capital to Average Assets	165,441	8.92%	74,160	4.00%	N/A	N/A

<i>(Dollars in thousands)</i>	Actual Capital		Minimum Regulatory Capital Required for Capital Adequacy plus Capital Conservation Buffer		Minimum Regulatory Capital to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Bankwell Bank						
<u>December 31, 2017</u>						
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 173,728	10.99%	\$ 90,858	5.75%	\$ 102,709	6.50%
Total Capital to Risk-Weighted Assets	192,632	12.19%	146,162	9.25%	158,014	10.00%
Tier I Capital to Risk-Weighted Assets	173,728	10.99%	114,560	7.25%	126,411	8.00%
Tier I Capital to Average Assets	173,728	9.61%	72,349	4.00%	90,437	5.00%

Bankwell Financial Group, Inc.

<u>December 31, 2017</u>						
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 155,977	9.83%	\$ 91,194	5.75%	N/A	N/A
Total Capital to Risk-Weighted Assets	199,984	12.61%	146,703	9.25%	N/A	N/A
Tier I Capital to Risk-Weighted Assets	155,977	9.83%	114,983	7.25%	N/A	N/A
Tier I Capital to Average Assets	155,977	8.59%	72,663	4.00%	N/A	N/A

Regulatory Restrictions on Dividends

The ability of the Company to pay dividends depends, in part, on the ability of the Bank to pay dividends to the Company. In accordance with Connecticut statutes, regulatory approval is required to pay dividends in excess of the Bank's profits retained in the current year plus retained profits from the previous two years. The Bank is also prohibited from paying dividends that would reduce its capital ratios below minimum regulatory requirements.

Reserve Requirements on Cash

The Bank is required to maintain a minimum reserve balance of \$15.9 million and \$11.1 million in the Federal Reserve Bank at June 30, 2018 and December 31, 2017, respectively. The Bank is also required to maintain a minimum reserve balance of \$4.5 million and \$7.5 million at Atlantic Community Bankers Bank (formerly Bankers' Bank Northeast) at June 30, 2018 and December 31, 2017, respectively. These balances are maintained for clearing purposes in the ordinary course of business and do not represent restricted cash.

8. Stock-Based Compensation

Equity award plans

The Company has stock options or unvested restricted stock outstanding under three equity award plans, which are collectively referred to as the "Plan". The current plan under which any future issuances of equity awards will be made is the 2012 BNC Financial Group, Inc. Stock Plan, or the "2012 Plan," amended on June 26, 2013. All equity awards made under the 2012 Plan are made by means of an award agreement, which contains the specific terms and conditions of the grant. To date, all equity awards have been in the form of share options or restricted stock. At June 30, 2018, there were 587,630 shares reserved for future issuance under the 2012 Plan.

Stock Options : The Company accounts for stock options based on the fair value at the date of grant and records option related expense over the vesting period of such awards on a straight line basis.

There were no options granted during the six months ended June 30, 2018.

A summary of the status of outstanding share options as of and for the six months ended June 30, 2018 is presented below:

	Six Months Ended June 30, 2018	
	Number of Shares	Weighted Average Exercise Price
Options outstanding at beginning of period	47,050	\$ 17.83
Exercised	(25,020)	19.59
Options outstanding at end of period	22,030	15.84
Options exercisable at end of period	22,030	15.84

Intrinsic value is the amount by which the fair value of the underlying stock exceeds the exercise price of an option on the exercise date. The total intrinsic value of share options exercised during the six months ended June 30, 2018 was \$0.3 million.

Restricted Stock : Restricted stock provides grantees with rights to shares of common stock upon completion of a service period. Shares of unvested restricted stock are considered participating securities. Restricted stock awards generally vest over one to five years.

The following table presents the activity for restricted stock for the six months ended June 30, 2018 :

	Six Months Ended June 30, 2018	
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at beginning of period	75,186	\$ 26.39
Granted	43,550 ⁽¹⁾	32.85
Vested	(5,963)	28.57
Forfeited	(674)	24.60
Unvested at end of period	112,099	28.80

(1) Includes 11,250 shares of performance based restricted stock

The Company's restricted stock expense for the six months ended June 30, 2018 and 2017 were \$0.6 million and \$0.4 million , respectively. At June 30, 2018 there was \$2.6 million of unrecognized stock compensation expense for restricted stock, expected to be recognized over a weighted average period of 1.8 years .

Performance Based Restricted Stock : On February 20, 2018 the Company issued 11,250 shares of restricted stock with performance and service conditions pursuant to the Company's 2012 Stock Plan. The awards vest over a 3 year service period, provided certain performance metrics are met. The share quantity, which can range between 0% and 200% , of the grant is dependent on the degree to which the performance metrics are met. The Company records an expense over the vesting period based on (a) the probability that the performance metric will be met and (b) the fair market value of the Company's stock at the date of the grant.

9. Derivative Instruments

The Company manages economic risks, including interest rate, liquidity, and credit risk by managing the amount, sources, and duration of its funding along with the use of interest rate derivative financial instruments, namely interest rate swaps. The Company does not use derivatives for speculative purposes. As of June 30, 2018 , the Bank was a party to six interest rate swaps to add stability to interest expense and to manage its exposure to interest rate movements. The notional amount for each swap is \$25 million and in each case, the Bank has entered into pay-fixed Libor interest rate swap to convert rolling 90 days Federal Home Loan Bank advances to fixed rates. In addition, as of June 30, 2018, the Bank has entered into three forward interest rate swaps on probable future FHLB advances.

The Company accounts for its interest rate swaps as effective cash flow hedges. None of the interest rate swap agreements contain any credit risk related contingent features. A hedging instrument is expected at inception to be highly effective at offsetting changes in the hedged transactions attributable to the changes in the hedged risk.

Interest rate swaps with a positive fair value are recorded as other assets and interest rate swaps with a negative fair value are recorded as other liabilities on the Consolidated Balance Sheets.

Information about derivative instruments at June 30, 2018 and December 31, 2017 is as follows:

June 30, 2018:

<i>(Dollars in thousands)</i>	Notional Amount	Original Maturity	Received	Paid	Fair Value Asset (Liability)
Cash flow hedge:					
Interest rate swap on FHLB advance	\$ 25,000	4.7 years	3-month LIBOR	1.62%	\$ 101
Interest rate swap on FHLB advance	25,000	5.0 years	3-month LIBOR	1.83%	317
Interest rate swap on FHLB advance	25,000	5.0 years	3-month LIBOR	1.48%	679
Interest rate swap on FHLB advance	25,000	5.0 years	3-month LIBOR	1.22%	1,163
Interest rate swap on FHLB advance	25,000	7.0 years	3-month LIBOR	2.04%	1,166
Interest rate swap on FHLB advance	25,000	7.0 years	3-month LIBOR	2.04%	1,159
Forward-starting interest rate swap	25,000	15.0 years	3-month LIBOR	3.01%	(205)
Forward-starting interest rate swap	25,000	15.0 years	3-month LIBOR	3.03%	(239)
Forward-starting interest rate swap	25,000	15.0 years	3-month LIBOR	3.05%	(291)
	<u>\$ 225,000</u>				<u>\$ 3,850</u>

The effective date of the forward-starting interest rate swaps listed above are January 2, 2019, January 2, 2020 and August 26, 2020, respectively.

December 31, 2017:

<i>(Dollars in thousands)</i>	Notional Amount	Original Maturity	Received	Paid	Fair Value Asset
Cash flow hedge:					
Interest rate swap on FHLB advance	\$ 25,000	4.7 years	3-month LIBOR	1.62%	\$ 62
Interest rate swap on FHLB advance	25,000	5.0 years	3-month LIBOR	1.83%	105
Interest rate swap on FHLB advance	25,000	5.0 years	3-month LIBOR	1.48%	398
Interest rate swap on FHLB advance	25,000	5.0 years	3-month LIBOR	1.22%	793
Interest rate swap on FHLB advance	25,000	7.0 years	3-month LIBOR	2.04%	342
Interest rate swap on FHLB advance	25,000	7.0 years	3-month LIBOR	2.04%	334
	<u>\$ 150,000</u>				<u>\$ 2,034</u>

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. The Company expects to reclassify \$1.1 million as a reduction to interest expense during the next 12 months.

The Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged item or transaction. The ineffective portion of changes in the fair value of the derivatives is recognized directly in earnings. The interest rate swap assets are presented in other assets and the interest rate swap liabilities are presented in accrued expenses and other liabilities in the Consolidated Balance Sheets.

The Company's cash flow hedge positions consist of interest rate swap transactions as detailed in the table below:

<i>(Dollars in thousands)</i>	Notional Amount	Original Effective Date of Hedged Borrowing	Duration of Borrowing	Counterparty
Type of borrowing:				
FHLB 90-day advance	\$ 25,000	April 1, 2014	4.7 years	Bank of Montreal
FHLB 90-day advance	25,000	January 2, 2015	5.0 years	Bank of Montreal
FHLB 90-day advance	25,000	August 26, 2015	5.0 years	Bank of Montreal
FHLB 90-day advance	25,000	July 1, 2016	5.0 years	Bank of Montreal
FHLB 90-day advance	25,000	August 25, 2017	7.0 years	Bank of Montreal
FHLB 90-day advance	25,000	August 25, 2017	7.0 years	FTN Financial Capital Markets
	<u>\$ 150,000</u>			

This hedge strategy converts the floating rate of interest on short term FHLB advances to fixed interest rates, thereby protecting the Bank from floating interest rate variability.

Changes in the consolidated statements of comprehensive income related to interest rate derivatives designated as hedges of cash flows were as follows for the three and six months ended June 30, 2018 and 2017 :

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest rate swap on FHLB advance:				
Unrealized (losses) gains recognized in accumulated other comprehensive income	\$ (187)	\$ (302)	\$ 1,815	\$ (84)
Income tax benefit (expense) on items recognized in accumulated other comprehensive income	39	105	(381)	29
Other comprehensive (loss) income	<u>\$ (148)</u>	<u>\$ (197)</u>	<u>\$ 1,434</u>	<u>\$ (55)</u>
Interest expense recognized on hedged FHLB advance	<u>\$ 646</u>	<u>\$ 384</u>	<u>\$ 1,285</u>	<u>\$ 768</u>

10. Fair Value of Financial Instruments

GAAP requires disclosure of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction. The estimated fair value amounts have been measured as of the respective period-ends, and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk.

The carrying values, fair values and placement in the fair value hierarchy of the Company's financial instruments at June 30, 2018 and December 31, 2017 were as follows:

June 30, 2018					
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<i>(In thousands)</i>					
Financial Assets:					
Cash and due from banks	\$ 89,214	\$ 89,214	\$ 89,214	\$ —	\$ —
Federal funds sold	105	105	105	—	—
Available for sale securities	92,608	92,608	9,705	82,903	—
Held to maturity securities	21,505	21,941	—	1,100	20,841
Loans receivable, net	1,572,591	1,530,265	—	—	1,530,265
Accrued interest receivable	5,522	5,522	—	5,522	—
FHLB stock	9,333	9,333	—	9,333	—
Servicing asset	1,191	1,191	—	—	1,191
Derivative asset, net	3,850	3,850	—	3,850	—
Financial Liabilities:					
Demand deposits	\$ 168,295	\$ 168,295	\$ —	\$ 168,295	\$ —
NOW and money market	563,967	563,967	—	563,967	—
Savings	113,496	113,496	—	113,496	—
Time deposits	619,880	617,002	—	—	617,002
Accrued interest payable	895	895	—	895	—
Advances from the FHLB	199,000	198,699	—	—	198,699
Subordinated debentures	25,129	24,619	—	—	24,619
Servicing liability	78	78	—	—	78

December 31, 2017

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	(In thousands)				
Financial Assets:					
Cash and due from banks	\$ 70,545	\$ 70,545	\$ 70,545	\$ —	\$ —
Federal funds sold	186	186	186	—	—
Available for sale securities	92,188	92,188	9,861	82,327	—
Held to maturity securities	21,579	22,836	—	1,119	21,717
Loans receivable, net	1,520,879	1,494,599	—	—	1,494,599
Accrued interest receivable	5,910	5,910	—	5,910	—
FHLB stock	9,183	9,183	—	9,183	—
Servicing asset	1,113	1,113	—	—	1,113
Derivative asset, net	2,034	2,034	—	2,034	—
Financial Liabilities:					
Demand deposits	\$ 172,638	\$ 172,638	\$ —	\$ 172,638	\$ —
NOW and money market	510,746	510,746	—	510,746	—
Savings	83,758	83,758	—	83,758	—
Time deposits	631,263	629,532	—	—	629,532
Accrued interest payable	1,092	1,092	—	1,092	—
Advances from the FHLB	199,000	198,932	—	—	198,932
Subordinated debentures	25,103	25,547	—	—	25,547
Servicing Liability	83	83	—	—	83

The following methods and assumptions were used by management in estimating the fair value of its financial instruments:

Cash and due from banks, federal funds sold, accrued interest receivable and accrued interest payable: The carrying amount is a reasonable estimate of fair value.

Available for sale and held to maturity securities: Fair values are based on quoted market prices or dealer quotes, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Level 3 held to maturity securities represent private placement municipal housing authority bonds for which no quoted market price is available. The fair value for these securities is estimated using a discounted cash flow model, using discount rates ranging from 4.8% to 5.2% as of June 30, 2018 and 4.5% to 4.8% as of December 31, 2017. These securities are CRA eligible investments.

FHLB stock: The carrying value of FHLB stock approximates fair value based on the most recent redemption provisions of the FHLB.

Loans receivable: For variable rate loans which reprice frequently and have no significant change in credit risk, fair values are based on carrying values. The fair value of fixed rate loans are estimated by discounting the future cash flows using the rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. In connection with the adoption of ASU 2016-01 on January 1, 2018, we refined our methodology to estimate the fair value of our loan portfolio using an exit price notion resulting in prior periods no longer being comparable. The exit price notion requires determination of the price at which willing market participants would transact at the measurement date under current market conditions depending on facts and circumstances, such as origination rates, credit risk, transaction costs, liquidity, national and regional market trends and other adjustments, utilizing publicly available rates and indices. The application of an exit price notion requires the use of significant judgment.

Derivative asset (liability): The valuation of the Company's interest rate swaps is obtained from a third-party pricing service and is determined using a discounted cash flow analysis on the expected cash flows of each derivative. The pricing analysis is based on observable inputs for the contractual terms of the derivatives, including the period to maturity and interest rate

curves. The Bank also considers the creditworthiness of each counterparty for assets and the creditworthiness of the Bank for liabilities.

Servicing asset (liability): Servicing assets and liabilities do not trade in an active, open market with readily observable prices. The Company estimates the fair value of servicing assets and liabilities using discounted cash flow models, incorporating numerous assumptions from the perspective of a market participant including market discount rates.

Deposits: The fair value of demand deposits, regular savings and certain money market deposits is the amount payable on demand at the reporting date. The fair value of certificates of deposit and other time deposits is estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities to a schedule of aggregated expected maturities on such deposits.

Borrowings and Subordinated Debentures: The fair value of the Company's borrowings and subordinated debentures is estimated using a discounted cash flow calculation that applies discount rates currently offered based on similar maturities. The Bank also considers its own creditworthiness in determining the fair value of its borrowings and subordinated debt.

Off-balance-sheet instruments: Loan commitments on which the committed interest rate is less than the current market rate are insignificant at June 30, 2018 and December 31, 2017 .

11. Fair Value Measurements

The Company is required to account for certain assets at fair value on a recurring or non-recurring basis. The Company determines fair value in accordance with GAAP, which defines fair value and establishes a framework for measuring fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values:

- Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 — Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time they are susceptible to material near-term changes.

Financial instruments measured at fair value on a recurring basis

The following table details the financial instruments carried at fair value on a recurring basis at June 30, 2018 and December 31, 2017, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value. The Company had no transfers into or out of Levels 1, 2 or 3 during the six months ended June 30, 2018 and the year ended December 31, 2017, except for the Company's investment in a U.S. Treasury note that was transferred from level 2 to level 1.

(In thousands)	Fair Value		
	Level 1	Level 2	Level 3
June 30, 2018:			
Available for sale investment securities:			
U.S. Government and agency obligations	\$ 9,705	\$ 71,550	\$ —
State agency and municipal obligations	—	4,345	—
Corporate bonds	—	7,008	—
Derivative asset, net	—	3,850	—
December 31, 2017:			
Available for sale investment securities:			
U.S. Government and agency obligations	\$ 9,861	\$ 62,913	\$ —
State agency and municipal obligations	—	12,277	—
Corporate bonds	—	7,137	—
Derivative asset, net	—	2,034	—

Available for sale investment securities: The fair value of the Company's investment securities are estimated by using pricing models or quoted prices of securities with similar characteristics (i.e. matrix pricing) and are classified within Level 1 or Level 2 of the valuation hierarchy. The pricing is primarily sourced from third party pricing services, overseen by management.

Derivative assets and liabilities: The Company's derivative assets and liabilities consist of transactions as part of management's strategy to manage interest rate risk. The valuation of the Company's interest rate swaps is obtained from a third-party pricing service and is determined using a discounted cash flow analysis on the expected cash flows of each derivative. The pricing analysis is based on observable inputs for the contractual terms of the derivatives, including the period to maturity and interest rate curves. The Company has determined that the majority of the inputs used to value its interest rate derivatives fall within Level 2 of the fair value hierarchy.

Financial instruments measured at fair value on a nonrecurring basis

Certain assets and liabilities are measured at fair value on a non-recurring basis in accordance with GAAP. These include assets that are measured at the lower-of-cost-or-market that were recognized at fair value below cost at the end of the period as well as assets that are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

The following table details the financial instruments measured at fair value on a nonrecurring basis at June 30, 2018 and December 31, 2017, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

(In thousands)	Fair Value		
	Level 1	Level 2	Level 3
June 30, 2018:			
Impaired loans	\$ —	\$ —	\$ 33,652
Servicing asset, net	—	—	1,113
December 31, 2017:			
Impaired loans	\$ —	\$ —	\$ 13,898
Servicing asset, net	—	—	1,030

The following table presents information about quantitative inputs and assumptions for Level 3 financial instruments carried at fair value on a nonrecurring basis at June 30, 2018 and December 31, 2017 :

	Valuation Methodology	Unobservable Input	Range
June 30, 2018:			
Impaired loans	Appraisals	Discount to appraised value	8.00 - 55.00%
	Discounted cash flows	Discount rate	3.00 - 6.50%
Servicing asset, net	Discounted cash flows	Discount rate	7.00 - 12.00%
		Prepayment rate	7.00 - 9.00%
December 31, 2017:			
Impaired loans	Appraisals	Discount to appraised value	8.00 - 24.00%
	Discounted cash flows	Discount rate	3.25 - 6.75%
Servicing asset, net	Discounted cash flows	Discount rate	7.00 - 12.00%
		Prepayment rate	7.00 - 9.00%

Impaired loans : Loans are generally not recorded at fair value on a recurring basis. Periodically, the Company records nonrecurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectible portions of those loans. Nonrecurring adjustments also include certain impairment amounts for collateral-dependent loans calculated in accordance with ASC 310-10 when establishing the allowance for credit losses. Such amounts are generally based on the fair value of the underlying collateral supporting the loan. Collateral is typically valued using appraisals or other indications of value based on recent comparable sales of similar properties or other assumptions. Estimates of fair value based on collateral are generally based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3. For those loans where the primary source of repayment is cash flow from operations, adjustments include impairment amounts calculated based on the perceived collectability of interest payments on the basis of a discounted cash flow analysis utilizing a discount rate equivalent to the original note rate.

Foreclosed real estate: The Company classifies property acquired through foreclosure or acceptance of deed-in-lieu of foreclosure as foreclosed real estate and repossessed assets in its financial statements. Upon foreclosure, the property securing the loan is written down to fair value less selling costs. The write-down is based upon differences between the appraised value and the book value. Appraisals are based on observable market data such as comparable sales, however assumptions made in determining comparability are unobservable and therefore these assets are classified as Level 3 within the valuation hierarchy.

Servicing assets and liabilities: When loans are sold, on a servicing retained basis, servicing rights are initially recorded at fair value. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized. The fair value of servicing assets and liabilities are not measured on an ongoing basis but are subject to fair value adjustments when and if the assets are deemed to be impaired.

12. Subordinated debentures

On August 19, 2015, the Company completed a private placement of \$25.5 million in aggregate principal amount of fixed rate subordinated notes (the “Notes”) to certain institutional investors. The Notes are non-callable for five years, have a stated maturity of August 15, 2025 , and bear interest at a quarterly pay fixed rate of 5.75% per annum to the maturity date or the early redemption date.

The Notes have been structured to qualify for the Company as Tier 2 capital under regulatory guidelines. We used the net proceeds for general corporate purposes, which included maintaining liquidity at the holding company, providing equity capital to the Bank to fund balance sheet growth and our working capital needs. The Notes were assigned an investment grade rating of BBB by Kroll Bond Rating Agency, which was reaffirmed in the third quarter of 2017.

13. Income Taxes

The Company is subject to federal and state income taxes at the statutory rates and makes several adjustments to arrive at the effective tax rate. The Company adjusts for non-deductible interest earned on municipal bonds, income earned on our investment in bank owned life insurance, windfall tax benefits resulting from restricted stock vesting and reductions in Connecticut state income tax from the operation of our passive investment company subsidiary.

Income tax expense for the three months ended June 30, 2018 and 2017 totaled \$1.2 million and \$2.4 million , respectively. The effective tax rates for the three months ended June 30, 2018 and 2017 were 20.6% , and 38.8% , respectively. The decrease in the effective tax rate for the three months ended June 30, 2018 is driven by a reduction in the statutory corporate tax rate from 35% to 21% as a result of tax reform from the Tax Cuts and Jobs Act of 2017.

Income tax expense for the six months ended June 30, 2018 and 2017 totaled \$2.4 million and \$4.1 million, respectively. The effective tax rates for the six months ended June 30, 2018 and 2017 were 20.8% , and 35.6% , respectively. The decrease in the effective tax rate for the six months ended June 30, 2018 is driven by a reduction in the statutory corporate tax rate from 35% to 21% as a result of tax reform from the Tax Cuts and Jobs Act of 2017.

14. Subsequent Events

Subsequent to June 30, 2018 a non-performing commercial loan with an unpaid balance of approximately \$4.0 million was recovered through the sale of the loan note. The second quarter 2018 allowance for loan losses included approximately \$0.6 million in specific reserves for this loan.

On July 26, 2018, the Company’s Board of Directors declared a \$0.12 per share cash dividend, payable on August 27, 2018 to shareholders of record on August 17, 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section presents management's perspective on our financial condition and results of operations. The following discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements and related notes contained elsewhere in this report on Form 10-Q. To the extent that this discussion describes prior performance, the descriptions relate only to the periods listed, which may not be indicative of future financial outcomes. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause results to differ materially from management's expectations. Factors that could cause such differences are discussed in the Company's Form 10-K filed for the year ended December 31, 2017 in the sections titled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors." We assume no obligation to update any of these forward-looking statements.

General

Bankwell Financial Group, Inc. is a bank holding company headquartered in New Canaan, Connecticut. Through our wholly owned subsidiary, Bankwell Bank, or the Bank, we serve small and medium-sized businesses and retail customers in the New York metropolitan area and throughout Connecticut with the majority of our loans in Fairfield and New Haven Counties, Connecticut. We have a history of building long-term customer relationships and attracting new customers through what we believe is our strong customer service and our ability to deliver a diverse product offering.

The following discussion and analysis presents our results of operations and financial condition on a consolidated basis. However, because we conduct all of our material business operations through the Bank, the discussion and analysis relates to activities primarily conducted at the Bank.

We generate most of our revenue from interest on loans and investments and fee-based revenues. Our primary source of funding for our loans is deposits. Our largest expenses are interest on these deposits and salaries and related employee benefits. We measure our performance primarily through our net interest margin, efficiency ratio, ratio of allowance for loan losses to total loans, return on average assets and return on average equity, among other metrics, while maintaining appropriate regulatory leverage and risk-based capital ratios.

Critical Accounting Policies and Estimates

The discussion and analysis of our results of operations and financial condition are based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from our current estimates, as a result of changing conditions and future events.

We believe that accounting estimates related to the measurement of the allowance for loan losses, stock-based compensation, derivative instrument valuation, investment securities valuation, evaluation of investment securities for other than temporary impairment and deferred income taxes valuation are particularly critical and susceptible to significant near-term change.

Executive Overview

We are focused on being the "Hometown" bank and the banking provider of choice in our highly attractive market area, and to serve as a locally based alternative to our larger competitors. We aim to do this through:

- Responsive, customer-centric products and services and a community focus;
- Strategic acquisitions;
- Utilization of efficient and scalable infrastructure and;
- Disciplined focus on risk management.

On August 19, 2015, the Company completed a private placement of \$25.5 million in aggregate principal amount of fixed rate subordinated notes (the "Notes") to certain institutional investors. The Notes are non-callable for five years, have a stated maturity of August 15, 2025, and bear interest at a quarterly pay fixed rate of 5.75% per annum to the maturity date or the early redemption date.

On November 20, 2015, the Company redeemed \$10.98 million (10,980 shares) of preferred stock issued pursuant to the United States Department of Treasury ("Treasury") under the Small Business Lending Fund Program (the "SBLF"). The shares were redeemed at their liquidation value of \$1,000 per share plus accrued dividends through November 20, 2015. The redemption was approved by the Company's primary federal regulator and was funded with the Company's surplus capital. With this redemption, the Company has redeemed all of its outstanding SBLF stock.

On January 31, 2018, the Company's Board of Directors declared a \$0.12 per share cash dividend, payable on March 8, 2018 to shareholders of record on February 26, 2018. On April 25, 2018, the Company's Board of Directors declared a \$0.12 per share cash dividend, payable on May 25, 2018 to shareholders of record on May 15, 2018.

On June 9, 2018, we opened three De Novo branches located in Darien, Westport, and Stamford, Connecticut, increasing our total number of branches to twelve.

Earnings Overview

Net income available to common shareholders was \$4.7 million, or \$0.60 per diluted share, and \$3.8 million, or \$0.49 per diluted share, for the three months ended June 30, 2018 and 2017, respectively. Returns on average equity and average assets for the three months ended June 30, 2018 were 11.21% and 1.02%, respectively, compared to 9.89% and 0.88%, respectively, for the three months ended June 30, 2017.

Net income available to common shareholders was \$9.3 million, or \$1.19 per diluted share, and \$7.5 million, or \$0.97 per diluted share, for the six months ended June 30, 2018 and 2017, respectively. Returns on average equity and average assets for the six months ended June 30, 2018 were 11.28% and 1.03%, respectively, compared to 10.00% and 0.90%, respectively, for the six months ended June 30, 2017.

For the three months ended June 30, 2018, we had net interest income of \$13.9 million, an increase of \$0.3 million, or 2.0%, over the three months ended June 30, 2017. Our net interest margin (fully taxable equivalent basis) for the three months ended June 30, 2018 and 2017 was 3.14% and 3.32%, respectively. We experienced a slight increase in our non-interest income, which totaled \$1.1 million for the three months ended June 30, 2018 representing 7.4% of our total revenue, up from \$1.0 million, or 6.8% of total revenue, for the three months ended June 30, 2017.

For the six months ended June 30, 2018, we had net interest income of \$27.6 million, an increase of \$1.0 million, or 3.9%, over the six months ended June 30, 2017. Our net interest margin (fully taxable equivalent basis) for the six months ended June 30, 2018 and 2017 was 3.15% and 3.34%, respectively. We experienced a slight increase in our non-interest income, which totaled \$2.4 million for the six months ended June 30, 2018 representing 8.1% of our total revenue, up from \$2.3 million, or 7.8% of total revenue, for the six months ended June 30, 2017.

Results of Operations

Net Interest Income

Net interest income is the difference between interest earned on loans and securities and interest paid on deposits and other borrowings, and is the primary source of our operating income. Net interest income is affected by the level of interest rates, changes in interest rates and changes in the amount and composition of interest-earning assets and interest-bearing liabilities. Included in interest income are certain loan fees, such as deferred origination fees and late charges. We convert tax-exempt income to a fully taxable equivalent ("FTE") basis using the statutory federal income tax rate adjusted for applicable state income taxes net of the related federal tax benefit. The average balances are principally daily averages. Interest income on loans includes the effect of deferred loan fees and costs accounted for as yield adjustments. Premium amortization and discount accretion are included in the respective interest income and interest expense amounts.

FTE net interest income for the three months ended June 30, 2018 and 2017 was \$14.0 million and \$13.8 million, respectively. Net interest income was favorably impacted by loan growth and higher yields on commercial loans, offset by increases in rates on interest bearing deposits. Our net interest margin decreased 18 basis points to 3.14% for the three months ended June 30, 2018,

compared to the three months ended June 30, 2017. The decrease in the net interest margin was primarily due to higher rates on interest bearing deposits driven by rate increases in our competitive marketplace.

FTE net interest income for the six months ended June 30, 2018 and 2017 was \$27.8 million and \$26.9 million, respectively. Net interest income was favorably impacted by loan growth, offset by increases in rates on interest bearing deposits. Our net interest margin decreased 19 basis points to 3.15% for the six months ended June 30, 2018, compared to the six months ended June 30, 2017. The decrease in the net interest margin was primarily due to higher rates on interest bearing deposits driven by rate increases in our competitive marketplace.

FTE basis interest income for the three months ended June 30, 2018 increased by \$1.6 million, or 9.3%, to \$19.5 million, compared to FTE basis interest income for the three months ended June 30, 2017 due primarily to loan growth and increased yields in our commercial real estate and commercial business portfolios. Average interest-earning assets were \$1.8 billion for the three months ended June 30, 2018, up by \$118.9 million or 7.2% compared to the three months ended June 30, 2017. The average yield on interest earning assets increased from 4.25% for the three months ended June 30, 2017 to 4.34% for the three months ended June 30, 2018 due mainly to higher yields on commercial and construction loans.

FTE basis interest income for the six months ended June 30, 2018 increased by \$3.8 million, or 10.9%, to \$38.2 million, compared to FTE basis interest income for the six months ended June 30, 2017 due primarily to loan growth in our commercial real estate and commercial business portfolios. Average interest-earning assets were \$1.8 billion for the six months ended June 30, 2018, up by \$151.6 million or 9.4% compared to the six months ended June 30, 2017. The average yield on interest earning assets increased from 4.25% for the six months ended June 30, 2017 to 4.31% for the six months ended June 30, 2018 due mainly to higher yields on construction and commercial business loans.

Interest expense for the three months ended June 30, 2018, increased by \$1.5 million, or 36.1%, compared to interest expense for the three months ended June 30, 2017 due to a \$116.9 million increase in the average balances of interest-bearing liabilities due to higher average balances in money market accounts and borrowed money, and increased rates on deposits, primarily due to increased rates on certificates of deposits and money market accounts in our competitive marketplace.

Interest expense for the six months ended June 30, 2018, increased by \$2.9 million, or 38.1%, compared to interest expense for the six months ended June 30, 2017 due to a \$149.2 million increase in the average balances of interest-bearing liabilities due to higher average balances in money market accounts, time accounts and borrowed money, and increased rates on deposits, primarily due to increased rates on certificates of deposits and money market accounts in our competitive marketplace.

Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential

The following tables present the average balances and yields earned on interest-earning assets and average balances and weighted average rates paid on our funding liabilities for the three and six months ended June 30, 2018 and 2017.

(Dollars in thousands)	Three Months Ended June 30,					
	2018			2017		
	Average Balance	Interest	Yield / Rate ⁽⁵⁾	Average Balance	Interest	Yield / Rate ⁽⁵⁾
Assets:						
Cash and Fed funds sold	\$ 81,879	\$ 325	1.59%	\$ 86,543	\$ 148	0.69%
Securities ⁽¹⁾	119,893	921	3.07%	105,850	947	3.58%
Loans:						
Commercial real estate	996,269	11,400	4.53%	899,344	10,230	4.50%
Residential real estate	193,336	1,786	3.69%	196,392	1,816	3.70%
Construction ⁽²⁾	92,945	1,180	5.02%	109,681	1,299	4.69%
Commercial business	283,865	3,740	5.21%	251,981	3,304	5.19%
Consumer	536	8	5.97%	1,320	11	3.21%
Total loans	1,566,951	18,114	4.57%	1,458,718	16,660	4.52%
Federal Home Loan Bank stock	9,330	125	5.37%	8,033	81	4.02%
Total earning assets	1,778,053	19,485	4.34%	1,659,144	17,836	4.25%
Other assets	68,334			61,588		
Total assets	\$ 1,846,387			\$ 1,720,732		
Liabilities and shareholders' equity:						
Interest -bearing liabilities:						
NOW	\$ 63,870	\$ 21	0.13%	\$ 61,002	\$ 20	0.13%
Money market	496,548	1,518	1.23%	383,919	771	0.81%
Savings	100,893	267	1.06%	113,736	217	0.76%
Time	619,262	2,503	1.62%	644,222	2,087	1.30%
Total interest-bearing deposits	1,280,573	4,309	1.35%	1,202,879	3,095	1.03%
Borrowed money	224,120	1,197	2.11%	184,958	952	2.04%
Total interest bearing liabilities	1,504,693	5,506	1.47%	1,387,837	4,047	1.17%
Noninterest-bearing deposits	160,275			167,111		
Other liabilities	12,735			12,886		
Total Liabilities	1,677,703			1,567,834		
Shareholders' equity	168,684			152,898		
Total liabilities and shareholders' equity	\$ 1,846,387			\$ 1,720,732		
Net interest income ⁽³⁾		\$ 13,979			\$ 13,789	
Interest rate spread			2.87%			3.08%
Net interest margin ⁽⁴⁾			3.14%			3.32%

(1) Average balances and yields for securities are based on amortized cost.

(2) Includes commercial and residential real estate construction.

(3) The adjustment for securities and loans taxable equivalency amounted to \$71 thousand and \$148 thousand, respectively, for the three months ended June 30, 2018 and 2017.

(4) Annualized net interest income as a percentage of earning assets.

(5) Yields are calculated using the contractual day count convention for each respective product type.

Six Months Ended June 30,

	2018			2017		
<i>(Dollars in thousands)</i>	Average Balance	Interest	Yield / Rate ⁽⁵⁾	Average Balance	Interest	Yield / Rate ⁽⁵⁾
Assets:						
Cash and Fed funds sold	\$ 75,634	\$ 579	1.54%	\$ 77,440	\$ 262	0.68%
Securities ⁽¹⁾	118,502	1,809	3.05%	103,852	1,808	3.48%
Loans:						
Commercial real estate	986,204	22,269	4.49%	877,078	19,914	4.52%
Residential real estate	195,628	3,585	3.67%	194,861	3,556	3.65%
Construction ⁽²⁾	94,161	2,326	4.91%	107,515	2,548	4.71%
Commercial business	282,324	7,336	5.17%	240,477	6,130	5.07%
Consumer	586	16	5.43%	1,484	25	3.40%
Total loans	1,558,903	35,532	4.53%	1,421,415	32,173	4.50%
Federal Home Loan Bank stock	9,318	243	5.21%	8,027	159	3.97%
Total earning assets	1,762,357	38,163	4.31%	1,610,734	34,402	4.25%
Other assets	67,571			60,633		
Total assets	<u>\$ 1,829,928</u>			<u>\$ 1,671,367</u>		
Liabilities and shareholders' equity:						
Interest -bearing liabilities:						
NOW	\$ 61,117	\$ 39	0.13%	\$ 57,816	\$ 46	0.16%
Money market	481,723	2,680	1.12%	364,048	1,337	0.74%
Savings	97,429	463	0.96%	112,372	402	0.72%
Time	622,508	4,783	1.55%	619,950	3,891	1.27%
Total interest-bearing deposits	1,262,777	7,965	1.27%	1,154,186	5,676	0.99%
Borrowed money	224,114	2,443	2.17%	183,514	1,859	2.01%
Total interest bearing liabilities	1,486,891	10,408	1.41%	1,337,700	7,535	1.14%
Noninterest-bearing deposits	163,256			170,886		
Other liabilities	13,241			12,152		
Total Liabilities	1,663,388			1,520,738		
Shareholders' equity	166,540			150,629		
Total liabilities and shareholders' equity	<u>\$ 1,829,928</u>			<u>\$ 1,671,367</u>		
Net interest income ⁽³⁾		<u>\$ 27,755</u>			<u>\$ 26,867</u>	
Interest rate spread			2.90%			3.11%
Net interest margin ⁽⁴⁾			3.15%			3.34%

(1) Average balances and yields for securities are based on amortized cost.

(2) Includes commercial and residential real estate construction.

(3) The adjustment for securities and loans taxable equivalency amounted to \$142 thousand and \$278 thousand, respectively, for the six months ended June 30, 2018 and 2017.

(4) Annualized net interest income as a percentage of earning assets.

(5) Yields are calculated using the contractual day count convention for each respective product type.

Effect of changes in interest rates and volume of average earning assets and average interest-bearing liabilities

The following table shows the extent to which changes in interest rates and changes in the volume of average earning assets and average interest-bearing liabilities have affected net interest income. For each category of earning assets and interest-bearing liabilities, information is provided relating to: changes in volume (changes in average balances multiplied by the prior year's average interest rates); changes in rates (changes in average interest rates multiplied by the prior year's average balances); and the total change. Changes attributable to both volume and rate have been allocated proportionately based on the relationship of the absolute dollar amount of change in each.

<i>(In thousands)</i>	Three Months Ended June 30, 2018 vs 2017			Six Months Ended June 30, 2018 vs 2017		
	Increase (Decrease)			Increase (Decrease)		
	Volume	Rate	Total	Volume	Rate	Total
Interest and dividend income:						
Cash and Fed funds sold	\$ (8)	\$ 185	\$ 177	\$ (6)	\$ 323	\$ 317
Securities	117	(143)	(26)	238	(237)	1
Loans:						
Commercial real estate	1,111	59	1,170	2,469	(114)	2,355
Residential real estate	(28)	(2)	(30)	15	14	29
Construction	(208)	89	(119)	(327)	105	(222)
Commercial business	421	15	436	1,086	120	1,206
Consumer	(9)	6	(3)	(19)	10	(9)
Total loans	1,287	167	1,454	3,224	135	3,359
Federal Home Loan Bank stock	14	30	44	29	55	84
Total change in interest and dividend income	1,410	239	1,649	3,485	276	3,761
Interest expense:						
Deposits:						
NOW	1	—	1	3	(10)	(7)
Money market	268	479	747	518	825	1,343
Savings	(27)	77	50	(58)	119	61
Time	(83)	499	416	17	875	892
Total deposits	159	1,055	1,214	480	1,809	2,289
Borrowed money	208	37	245	434	150	584
Total change in interest expense	367	1,092	1,459	914	1,959	2,873
Change in net interest income	\$ 1,043	\$ (853)	\$ 190	\$ 2,571	\$ (1,683)	\$ 888

Provision for Loan Losses

The provision for loan losses is based on management's periodic assessment of the adequacy of our allowance for loan losses which, in turn, is based on such interrelated factors as the composition of our loan portfolio and its inherent risk characteristics, the level of nonperforming loans and net charge-offs, both current and historic, local economic and credit conditions, the direction of real estate values, and regulatory guidelines. The provision for loan losses is charged against earnings in order to maintain our allowance for loan losses and reflects management's best estimate of probable losses inherent in our loan portfolio as of the balance sheet date.

The provision for loan losses for the three months ended June 30, 2018 was \$0.3 million compared to \$0.9 million provision for loan losses for the three months ended June 30, 2017. The provision for loan losses for the six months ended June 30, 2018 was \$0.3 million compared to \$1.4 million provision for loan losses for the six months ended June 30, 2017. For further information, see sections titled Asset Quality and Allowance for Loan Losses. The large decrease in the provision for loan losses was due to a change in our allowance for loan losses methodology as of December 31, 2017, as discussed in footnote 3.

Noninterest Income

Noninterest income is a component of our revenue and is comprised primarily of fees generated from loan and deposit relationships with our customers, fees generated from sales and referrals of loans, income earned on bank-owned life insurance and gains on sales of investment securities.

The following table compares noninterest income for the three and six months ended June 30, 2018 and 2017:

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Change	
	2018	2017	\$	%
Gains and fees from sales of loans	\$ 315	\$ 199	\$ 116	58 %
Bank owned life insurance	265	295	(30)	(10)
Service charges and fees	265	261	4	2
Other	262	243	19	8
Total noninterest income	\$ 1,107	\$ 998	\$ 109	11 %

<i>(Dollars in thousands)</i>	Six Months Ended June 30,		Change	
	2018	2017	\$	%
Gains and fees from sales of loans	\$ 685	\$ 523	\$ 162	31 %
Bank owned life insurance	528	586	(58)	(10)
Service charges and fees	521	501	20	4
Net gain on sale of available for sale securities	222	165	57	35
Other	484	489	(5)	(1)
Total noninterest income	\$ 2,440	\$ 2,264	\$ 176	8 %

Noninterest income increased \$0.1 million or 11% to \$1.1 million for the three months ended June 30, 2018 compared to the three months ended June 30, 2017. The increase in noninterest income was primarily driven by an increase in gains and fees from the sales of loans. Gain and fees from the sale of loans totaled \$0.3 million for the three months ended June 30, 2018 compared to \$0.2 million for the same period in 2017, an increase of \$0.1 million.

Noninterest income increased \$0.2 million or 8% to \$2.4 million for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. The increase in noninterest income was primarily driven by an increase in gains and fees from the sales of loans. Gain and fees from the sale of loans totaled \$0.7 million for the six months ended June 30, 2018 compared to \$0.5 million for the same period in 2017, an increase of \$0.2 million.

Noninterest Expense

The following tables compare noninterest expense for the three and six months ended June 30, 2018 and 2017:

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Change	
	2018	2017	\$	%
Salaries and employee benefits	\$ 4,539	\$ 3,800	\$ 739	19 %
Occupancy and equipment	1,731	1,439	292	20
Data processing	509	401	108	27
Marketing	479	311	168	54
Professional services	424	523	(99)	(19)
Director fees	274	243	31	13
FDIC insurance	203	243	(40)	(16)
Amortization of intangibles	24	31	(7)	(23)
Other	581	590	(9)	(2)
Total noninterest expense	\$ 8,764	\$ 7,581	\$ 1,183	16 %

<i>(Dollars in thousands)</i>	Six Months Ended June 30,		Change	
	2018	2017	\$	%
Salaries and employee benefits	\$ 9,567	\$ 7,729	\$ 1,838	24 %
Occupancy and equipment	3,348	3,131	217	7
Professional services	1,199	935	264	28
Data processing	1,034	846	188	22
Marketing	776	577	199	34
Director fees	489	476	13	3
FDIC insurance	417	626	(209)	(33)
Amortization of intangibles	48	62	(14)	(23)
Other	1,089	1,433	(344)	(24)
Total noninterest expense	\$ 17,967	\$ 15,815	\$ 2,152	14 %

Noninterest expense increased \$1.2 million or 16% for the three months ended June 30, 2018 compared to the three months ended June 30, 2017. The increase was primarily driven by an increase in salaries and employee benefits and an increase in occupancy and equipment expense. Salaries and employee benefits totaled \$4.5 million for the quarter ended June 30, 2018 compared to \$3.8 million for the same period in 2017, an increase of \$0.7 million. The increase in salaries and employee benefits was primarily driven by an increase in full time equivalent employees. The increase in full time equivalent employees is in line with year over year business growth and staffing for the three new branch locations opened during the second quarter of 2018. Average full time equivalent employees totaled 145 at June 30, 2018 compared to 129 at June 30, 2017. Occupancy and equipment expense totaled \$1.7 million for the quarter ended June 30, 2018 compared to \$1.4 million for the same period in 2017, an increase of \$0.3 million. The increase in occupancy and equipment expense was primarily driven by expenditures associated with the opening of the new branch locations and improvements of existing infrastructure.

Noninterest expense increased \$2.2 million or 14% for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. The increase was primarily driven by an increase in salaries and employee benefits, occupancy and equipment expense and professional services. Salaries and employee benefits totaled \$9.6 million for the six months ended June 30, 2018 compared to \$7.7 million for the same period in 2017, an increase of \$1.8 million. The increase in salaries and employee benefits was primarily driven by an increase in full time equivalent employees and a reduction in deferred loan origination costs resulting from lower loan origination volume. Occupancy and equipment expense totaled \$3.3 million for the six months ended June 30, 2018 compared to \$3.1 million for the same period in 2017, an increase of \$0.2 million. The increase in occupancy and equipment expense was primarily driven by expenditures associated with the opening of the new branch locations and improvements of existing infrastructure. Professional services totaled \$1.2 million for the six months ended June 30, 2018 compared to \$0.9 million

for the same period in 2017, an increase of \$0.3 million. The increase in professional services was primarily driven by increases in audit related expenses.

Income Taxes

Income tax expense for the three months ended June 30, 2018 and 2017 totaled \$1.2 million and \$2.4 million, respectively. The effective tax rates for the three months ended June 30, 2018 and 2017 were 20.6%, and 38.8%, respectively. The decrease in the effective tax rate for the three months ended June 30, 2018 is driven by a reduction in the statutory corporate tax rate from 35% to 21% as a result of tax reform from the Tax Cuts and Jobs Act of 2017. Income tax expense for the six months ended June 30, 2018 and 2017 totaled \$2.4 million and \$4.1 million, respectively. The effective tax rates for the six months ended June 30, 2018 and 2017 were 20.8%, and 35.6%, respectively. The decrease in the effective tax rate for the six months ended June 30, 2018 is driven by a reduction in the statutory corporate tax rate from 35% to 21% as a result of tax reform from the Tax Cuts and Jobs Act of 2017.

Financial Condition

Summary

At June 30, 2018, total assets were \$1.9 billion, a \$74.2 million, or 4.1%, increase over December 31, 2017. Total loans and deposits were \$1.6 billion and \$1.5 billion, respectively at June 30, 2018. Total shareholders' equity at June 30, 2018 and December 31, 2017 was \$169.6 million and \$161.0 million, respectively. Tangible book value was \$21.56 per share at June 30, 2018 compared to \$20.59 per share at December 31, 2017.

Loan Portfolio

We originate commercial real estate loans, including construction loans, commercial business loans and other consumer loans. Lending activities are primarily conducted within our market of the New York metropolitan area, including the Fairfield and New Haven County regions of Connecticut. Our loan portfolio is the largest category of our earning assets.

Total loans before deferred loan fees and the allowance for loan losses were \$1.6 billion at June 30, 2018, up by \$51.4 million, or 3.3%, from December 31, 2017. Loan growth was primarily driven by growth in commercial real estate loans totaling \$55.4 million, offset by a reduction in residential loans totaling \$5.0 million.

The following table compares the composition of our loan portfolio for the dates indicated:

<i>(In thousands)</i>	At June 30, 2018	At December 31, 2017	Change
Real estate loans:			
Residential	\$ 188,546	\$ 193,524	\$ (4,978)
Commercial	1,042,689	987,242	55,447
Construction	100,147	101,636	(1,489)
	1,331,382	1,282,402	48,980
Commercial business	262,625	259,995	2,630
Consumer	406	619	(213)
Total loans	\$ 1,594,413	\$ 1,543,016	\$ 51,397

Asset Quality

We actively manage asset quality through our underwriting practices and collection operations. Our Board of Directors monitors credit risk management through two committees, the Directors Loan Committee ("DLC") and the Audit Committee. The DLC has primary oversight responsibility for the credit granting function including approval authority for credit granting policies, review of management's credit granting activities and approval of large exposure credit requests. The Audit Committee oversees management's systems and procedures to monitor the credit quality of our loan portfolio and the loan review program. These committees report the results of their respective oversight functions to our Board of Directors. In addition, our Board of Directors receives information concerning asset quality measurements and trends on a monthly basis. While we continue to adhere to prudent underwriting standards, our loan portfolio is not immune to potential negative consequences as a result of general economic weakness, such as a prolonged downturn in the housing market on a national scale. Decreases in real estate values could adversely affect the value of property used as collateral for loans. In addition, adverse changes in the economy could have a negative effect on the ability of borrowers to make scheduled loan payments, which would likely have an adverse impact on earnings.

The Company has established credit policies applicable to each type of lending activity in which it engages. The Company evaluates the creditworthiness of each customer and extends credit of up to 80% of the market value of the collateral, depending on the borrower's creditworthiness and the type of collateral. The borrower's ability to service the debt is monitored on an ongoing basis. Real estate is the primary form of collateral. Other important forms of collateral are business assets, time deposits and marketable securities. While collateral provides assurance as a secondary source of repayment, the Company ordinarily requires the primary source of repayment for commercial loans to be based on the borrower's ability to generate continuing cash flows. In the fourth quarter of 2017 management made the strategic decision to cease the origination of residential mortgage loans. The Company's policy for residential lending allowed that, generally, the amount of the loan may not exceed 80% of the original appraised value of the property. In certain situations, the amount may have exceeded 80% LTV either with private mortgage insurance being required for that portion of the residential loan in excess of 80% of the appraised value of the property or where secondary financing is provided by a housing authority program second mortgage, a community's low/moderate income housing program, or a religious or civic organization.

Credit risk management involves a partnership between our relationship managers and our credit approval, portfolio management, credit administration and collections personnel. Disciplined underwriting, portfolio monitoring and early problem recognition are important aspects of maintaining our high credit quality standards and low levels of nonperforming assets since our inception in 2002.

Nonperforming assets totaled \$23.3 million and represented 1.25% of total assets at June 30, 2018, compared to \$5.5 million and 0.31% of total assets at December 31, 2017. Nonaccrual loans totaled \$23.3 million at June 30, 2018, an increase of \$17.8 million compared to December 31, 2017. The increase in nonaccrual loans is primarily driven by two recently impaired commercial loan relationships. Subsequent to the second quarter, the smaller of the two relationships, with an unpaid balance of approximately \$4 million, was repaid in full. The allowance for loan losses was \$19.0 million, representing 1.19% of total loans and \$18.9 million, representing 1.23% of total loans at June 30, 2018 and December 31, 2017, respectively. The Bank's general reserve provides a 256% coverage of non-performing assets that are not already covered by a specific reserve as of June 30, 2018. There was no foreclosed real estate at June 30, 2018 or December 31, 2017.

Nonperforming assets . Nonperforming assets include nonaccrual loans and property acquired through foreclosures or repossession. The following table presents nonperforming assets and additional asset quality data for the dates indicated:

<i>(In thousands)</i>	At June 30, 2018	At December 31, 2017
Nonaccrual loans:		
Real estate loans:		
Residential	\$ 3,619	\$ 1,590
Commercial	15,745	3,371
Commercial business	3,961	520
Total nonaccrual loans	23,325	5,481
Property acquired through foreclosure or repossession, net	—	—
Total nonperforming assets	\$ 23,325	\$ 5,481
Nonperforming assets to total assets	1.25%	0.31%
Nonaccrual loans to total loans	1.46%	0.36%
Total past due loans to total loans	1.71%	1.67%

Allowance for Loan Losses

We evaluate the adequacy of the allowance for loan losses at least quarterly, and in determining our allowance for loan losses, we estimate losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably determined. The balance of our allowance for loan losses is based on internally assigned risk classifications of loans, the Bank's and peer banks' historical loss experience, changes in the nature of the loan portfolio, overall portfolio quality, industry concentrations, delinquency trends, current economic factors and the estimated impact of current economic conditions on certain historical loan loss rates.

Our general practice is to identify problem credits early and recognize full or partial charge-offs as promptly as practicable when it is determined that it is probable that the loan will not be repaid according to its original contractual terms, including principal and interest. Full or partial charge-offs on collateral dependent impaired loans are recognized when the collateral is deemed to be insufficient to support the carrying value of the loan. We do not recognize a recovery when an updated appraisal indicates a subsequent increase in value of the collateral.

Our charge-off policies, which comply with standards established by our banking regulators, are consistently applied from period to period. Charge-offs are recorded on a monthly basis, as incurred. Partially charged-off loans continue to be evaluated on a monthly basis and additional charge-offs or loan loss provisions may be recorded on the remaining loan balance based on the same criteria.

The following table presents the activity in our allowance for loan losses and related ratios for the dates indicated, and include both originated and acquired allowance activity:

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance at beginning of period	\$ 18,801	\$ 18,511	\$ 18,904	\$ 17,982
Charge-offs:				
Residential	(56)	—	(56)	—
Commercial real estate	—	—	(18)	—
Commercial business	—	—	(96)	—
Consumer	(57)	(16)	(60)	(31)
Total charge-offs	(113)	(16)	(230)	(31)
Recoveries:				
Residential real estate	—	146	—	146
Commercial Business	4	—	4	—
Consumer	4	—	5	1
Total recoveries	8	146	9	147
Net (charge-offs) recoveries	(105)	130	(221)	116
Provision charged to earnings	310	895	323	1,438
Balance at end of period	\$ 19,006	\$ 19,536	\$ 19,006	\$ 19,536
Net charge-offs to average loans	0.01%	(0.01)%	0.01%	(0.01)%
Allowance for loan losses to total loans	1.19%	1.31 %	1.19%	1.31 %

At June 30, 2018, our allowance for loan losses was \$19.0 million and represented 1.19% of total loans, compared to \$18.9 million, or 1.23% of total loans, at December 31, 2017. The net increase in the allowance was primarily a result of commercial loan growth and additional specific reserves, partially offset by a reduction in the general loan loss reserve driven by improving historical loss trends.

The following table presents the allocation of the allowance for loan losses and the percentage of these loans to total loans for the dates indicated:

<i>(Dollars in thousands)</i>	At June 30, 2018		At December 31, 2017	
	Amount	Percent of Loan Portfolio	Amount	Percent of Loan Portfolio
Residential real estate	\$ 750	11.82%	\$ 1,721	12.54%
Commercial real estate	14,185	65.40	12,777	63.98
Construction	481	6.28	907	6.59
Commercial business	3,589	16.47	3,498	16.85
Consumer	1	0.03	1	0.04
Total allowance for loan losses	\$ 19,006	100.00%	\$ 18,904	100.00%

The allocation of the allowance for loan losses at June 30, 2018 reflects our assessment of credit risk and probable loss within each portfolio. We believe that the level of the allowance for loan losses at June 30, 2018 is appropriate to cover probable losses.

Reserve for Unfunded Commitments

The reserve for unfunded commitments provides for probable losses inherent with funding the unused portion of legal commitments to lend. The unfunded reserve calculation is primarily based on our ALLL methodology for funded loans, adjusted for utilization expectations. The reserve for unfunded credit commitments is included within other liabilities in the accompanying Consolidated Balance Sheets. Changes in the reserve are reported as a component of other expense in the accompanying Consolidated Statements of Income.

Investment Securities

At June 30, 2018, the carrying value of our investment securities portfolio totaled \$114.1 million and represented 6.1% of total assets, compared to \$113.8 million and represented 6.3% of total assets at December 31, 2017. The increase of \$0.3 million primarily reflects purchases of U.S. Government and agency obligations. We purchase investment grade securities with a focus on earnings and duration exposure.

The net unrealized loss position on our investment portfolio at June 30, 2018 was \$1.8 million and included gross unrealized losses of \$2.5 million. The net unrealized gain on our investment portfolio at December 31, 2017 was \$1.4 million and included gross unrealized losses of \$0.3 million. The gross unrealized losses were concentrated in U.S. Government and agency obligations. The U.S. Government and agency obligations owned are either direct obligations of the U.S. Government or guaranteed by the U.S. Government, therefore the contractual cash flows are guaranteed and as a result the unrealized losses in this portfolio are not considered other than temporarily impaired.

Deposit Activities and Other Sources of Funds

(Dollars in thousands)	At June 30, 2018			At December 31, 2017		
	Amount	Percent	Weighted Average Rate	Amount	Percent	Weighted Average Rate
Noninterest-bearing demand	\$ 168,295	11.48%	—%	\$ 172,638	12.35%	—%
NOW	66,207	4.52	0.13	58,942	4.21	0.16
Money market	497,760	33.96	1.12	451,804	32.31	0.85
Savings	113,496	7.75	0.96	83,758	5.99	0.74
Time	619,880	42.29	1.55	631,263	45.14	1.33
Total deposits	\$ 1,465,638	100.00%	1.27%	\$ 1,398,405	100.00%	1.06%

Total deposits were \$1.5 billion at June 30, 2018, an increase of \$67.2 million, from the balance at December 31, 2017, primarily reflecting increases in money market accounts. Money market accounts increased \$46.0 million from \$451.8 million at December 31, 2017 to \$497.8 million at June 30, 2018. Brokered deposits totaled \$41.4 million at June 30, 2018 and represent brokered certificates of deposit, brokered money market accounts, one way CDARS and reciprocal deposits for customers that desire FDIC protection. Brokered deposits are utilized as an additional source of funding.

Time deposits, excluding CDARS and brokered deposits, decreased by \$8.5 million, or 1.4%, from December 31, 2017. Time deposits, excluding CDARS and brokered deposits were \$578.5 million at June 30, 2018 compared to the December 31, 2017 balance of \$586.9 million. CDARS and brokered deposits were \$41.4 million at June 30, 2018 compared to \$44.3 million at December 31, 2017. As of June 30, 2018 a total of \$29.4 million of CDARS and brokered deposits mature in less than three months and a total of \$12.0 million of CDARS and brokered deposits mature in less than one year but greater than three months. Noninterest bearing demand deposits decreased \$4.3 million, or 2.5%, and NOW accounts increased \$7.3 million, or 12.3%. Savings accounts were \$113.5 million at June 30, 2018, up by \$29.7 million, or 35.5%, from December 31, 2017.

At June 30, 2018 and December 31, 2017, time deposits, excluding CDARS and brokered deposits, with a denomination of \$100 thousand or more totaled \$454.1 million and \$463.3 million, respectively, maturing during the periods indicated in the table below:

(Dollars in thousands)	June 30, 2018	December 31, 2017
Maturing:		
Within 3 months	\$ 82,821	\$ 45,263
After 3 but within 6 months	100,084	95,989
After 6 months but within 1 year	140,987	142,380
After 1 year	130,241	179,655
Total	\$ 454,133	\$ 463,287

We utilize advances from the Federal Home Loan Bank of Boston, or FHLB, as part of our overall funding strategy and to meet short-term liquidity needs and to a lesser degree manage interest rate risk arising from the difference in asset and liability maturities. Total FHLB advances were \$199.0 million at both June 30, 2018 and December 31, 2017.

The Bank has additional borrowing capacity at the FHLB up to a certain percentage of the value of qualified collateral. In accordance with agreements with the FHLB, the qualified collateral must be free and clear of liens, pledges and encumbrances. At June 30, 2018, the Company has pledged \$765.5 million of eligible loans as collateral to support borrowing capacity at the FHLB of Boston. As of June 30, 2018, the Company had immediate availability to borrow an additional \$251.3 million based on qualified collateral.

Liquidity and Capital Resources

Liquidity Management

Liquidity is defined as the ability to generate sufficient cash flows to meet all present and future funding requirements at reasonable costs. Our primary source of liquidity is deposits. While our generally preferred funding strategy is to attract and retain low cost deposits, our ability to do so is affected by competitive interest rates and terms in the marketplace. Other sources of funding include discretionary use of purchased liabilities (e.g., FHLB term advances and other borrowings), cash flows from our investment securities portfolios, loan sales, loan repayments and earnings. Investment securities designated as available for sale may also be sold in response to short-term or long-term liquidity needs.

The Company's liquidity positions are monitored daily by management. The Asset Liability Committee or ALCO establishes guidelines to ensure maintenance of prudent levels of liquidity. ALCO reports to the Company's Board of Directors.

The Bank has a detailed liquidity funding policy and a contingency funding plan that provide for the prompt and comprehensive response to unexpected demands for liquidity. We employ a stress testing methodology to estimate needs for contingent funding that could result from unexpected outflows of funds in excess of "business as usual" cash flows. The Bank has established unsecured borrowing capacity with the Atlantic Community Bankers Bank (ACBB) (formerly Bankers' Bank Northeast) and Zion's Bank and also maintains additional collateralized borrowing capacity with the FHLB in excess of levels used in the ordinary course of business. Our sources of liquidity include cash, unpledged investment securities, borrowings from the FHLB, lines of credit from Zion's Bank and ACBB, and the brokered deposit market.

The Company anticipates that it will have sufficient funds available to meet its current loan and other commitments. As of June 30, 2018, the Company had cash and cash equivalents of \$89.3 million and available-for-sale securities of \$92.6 million. At June 30, 2018, outstanding commitments to originate loans totaled \$16.0 million and undisbursed funds from approved lines of credit, home equity lines of credit and secured commercial lines of credit totaled \$174.0 million.

Capital Resources

Shareholders' equity totaled \$169.6 million as of June 30, 2018, an increase of \$8.5 million compared to December 31, 2017, primarily a result of net income for the six months ended June 30, 2018 of \$9.3 million and equity from stock transactions totaling \$1.5 million, offset by dividends paid of \$1.9 million. As of June 30, 2018, the tangible common equity ratio and tangible book value per share were 8.92% and \$21.56, respectively.

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. At June 30, 2018, the Bank met all capital adequacy requirements to which it was subject and exceeded the regulatory minimum capital levels to be considered well-capitalized under the regulatory framework for prompt corrective action. At June 30, 2018, the Bank's ratio of Common Equity Tier 1 capital to risk-weighted assets was 11.31%, total capital to risk-weighted assets was 12.47%, Tier 1 capital to risk-weighted assets was 11.31% and Tier 1 capital to average assets was 10.03%.

In July 2013, the Federal Reserve published Basel III rules establishing a new comprehensive capital framework of U.S. banking organizations. Under the rules, effective January 1, 2015 for the Company and Bank, the minimum capital ratios became a) 4.5% Common Equity Tier 1 to risk-weighted assets, b) 6.0% Tier 1 capital to risk weighted assets and c) 8.0% total capital to risk-weighted assets. In addition, the new regulations imposed certain limitations on dividends, share buy-backs, discretionary payments on Tier 1 instruments and discretionary bonuses to executive officers if the organization does not maintain a capital conservation buffer for regulatory risk based capital ratios in an amount greater than 2.5% of its risk-weighted assets, in addition to the amount needed to meet its minimum risk-based capital requirements, phased in over a 5 year period until January 1, 2019. The conservation buffer will be phased in incrementally, starting at 0.625% on January 1, 2016 and increased to 1.25% on January 1, 2017, 1.875%

on January 1, 2018 and 2.5% on January 1, 2019. Accordingly, while these rules started to be phased in on January 1, 2015 (and the capital conservation buffer on January 1, 2016), the Company believes it is well positioned to meet the requirements as they become effective.

On January 31, 2018, the Company's Board of Directors declared a \$0.12 per share cash dividend, payable on March 8, 2018 to shareholders of record on February 26, 2018. On April 25, 2018, the Company's Board of Directors declared a \$0.12 per share cash dividend, payable on May 25, 2018 to shareholders of record on May 15, 2018.

Asset/Liability Management and Interest Rate Risk

We measure interest rate risk using simulation analysis to calculate earnings and equity at risk. These risk measures are quantified using simulation software from one of the leading firms in the field of asset/liability modeling. Key assumptions relate to the behavior of interest rates and spreads, prepayment speeds and the run-off of deposits. From such simulations, interest rate risk, or IRR, is quantified and appropriate strategies are formulated and implemented. We model IRR by using two primary risk measurement techniques: simulation of net interest income and simulation of economic value of equity. These two measurements are complementary and provide both short-term and long-term risk profiles for the Company. Because both baseline simulations assume that our balance sheet will remain static over the simulation horizon, the results do not reflect adjustments in strategy that ALCO could implement in response to rate shifts. The simulation analyses are updated quarterly.

We use net interest income at risk simulation to measure the sensitivity of net interest income to changes in market rates. This simulation captures underlying product behaviors, such as asset and liability repricing dates, balloon dates, interest rate indices and spreads, rate caps and floors, as well as other behavioral attributes. The simulation of net interest income also requires a number of key assumptions such as: (i) prepayment projections for loans and securities that are projected under each interest rate scenario using internal and external mortgage analytics; (ii) new business loan rates that are based on recent new business origination experience; and (iii) deposit pricing assumptions for non-maturity deposits reflecting the Bank's limited history, management judgment and core deposit studies. Combined, these assumptions can be inherently uncertain, and as a result, actual results may differ from simulation forecasts due to the timing, magnitude and frequency of interest rate changes, future business conditions, as well as unanticipated changes in management strategies.

We use two sets of standard scenarios to measure net interest income at risk. For the Parallel Ramp Scenarios, rate changes are ramped over a twelve-month horizon based upon a parallel yield curve shift and then maintained at those levels over the remainder of the simulation horizon. Parallel Shock Scenarios assume instantaneous parallel movements in the yield curve compared to a flat yield curve scenario. Simulation analysis involves projecting a future balance sheet structure and interest income and expense under the various rate scenarios. Internal policy regarding internal rate risk simulations currently specifies that for instantaneous parallel shifts of the yield curve, estimated net interest income at risk for the subsequent one-year period should not decline by more than: 6% for a 100 basis point shift; 12% for a 200 basis point shift; and 18% for a 300 basis point shift. Per Company policy, the Bank should not be outside these limits for twelve consecutive months unless the Banks forecasted capital ratios are considered to be "well capitalized". As of June 30, 2018, the Bank has met all minimum regulatory capital requirements to be considered "well capitalized", reference footnote #7 - Regulatory Matters for more detail.

The following tables set forth the estimated percentage change in our net interest income at risk over one-year simulation periods beginning June 30, 2018 and December 31, 2017:

Parallel Ramp

<u>Rate Changes (basis points)</u>	Estimated Percent Change in Net Interest Income	
	June 30, 2018	December 31, 2017
-100	(0.70)%	(2.00)%
+200	(6.60)	(4.30)

Parallel Shock

<u>Rate Changes (basis points)</u>	Estimated Percent Change in Net Interest Income	
	June 30, 2018	December 31, 2017
-100	(1.30)%	(4.70)%
+100	(6.40)	(3.40)
+200	(13.50)	(7.30)
+300	(20.30)	(11.50)

The net interest income at risk simulation results indicate that as of June 30, 2018, we remain liability sensitive. The liability sensitivity is due to the fact that there are more liabilities than assets subject to repricing as market rates change.

We conduct economic value of equity at risk simulation in tandem with net interest income simulations, to ascertain a longer term view of our interest rate risk position by capturing longer-term repricing risk and options risk embedded in the balance sheet. It measures the sensitivity of economic value of equity to changes in interest rates. The economic value of equity at risk simulation values only the current balance sheet and does not incorporate the growth assumptions used in one of the income simulations. As with the net interest income simulation, this simulation captures product characteristics such as loan resets, repricing terms, maturity dates, rate caps and floors. Key assumptions include loan prepayment speeds, deposit pricing elasticity and non-maturity deposit attrition rates. These assumptions can have significant impacts on valuation results as the assumptions remain in effect for the entire life of each asset and liability. All key assumptions are subject to a periodic review.

Base case economic value of equity at risk is calculated by estimating the net present value of all future cash flows from existing assets and liabilities using current interest rates. The base case scenario assumes that future interest rates remain unchanged.

The following table sets forth the estimated percentage change in our economic value of equity at risk, assuming various shifts in interest rates:

<u>Rate Changes (basis points)</u>	Estimated Percent Change in Economic Value of Equity	
	June 30, 2018	December 31, 2017
-100	(3.60)%	(1.60)%
+100	(7.60)	(10.10)
+200	(18.20)	(22.90)
+300	(26.30)	(32.80)

While ALCO reviews and updates simulation assumptions and also periodically back-tests the simulation results to ensure that the assumptions are reasonable and current, income simulation may not always prove to be an accurate indicator of interest rate risk or future net interest margin. Over time, the repricing, maturity and prepayment characteristics of financial instruments and the composition of our balance sheet may change to a different degree than estimated. Due to the rising level of market interest rates, the banking industry has experienced upward pricing pressure on core deposits. ALCO recognizes that deposit balances could shift into higher yielding alternatives in the future, particularly if interest rates continue to rise. ALCO has modeled increased costs of deposits in the rising rate simulation scenarios presented above.

It should be noted that the static balance sheet assumption does not necessarily reflect our expectation for future balance sheet growth, which is a function of the business environment and customer behavior. Another significant simulation assumption is the sensitivity of core deposits to fluctuations in interest rates. Income simulation results assume that changes in both core savings deposit rates and balances are related to changes in short-term interest rates. Lastly, mortgage-backed securities and mortgage loans involve a level of risk that unforeseen changes in prepayment speeds may cause related cash flows to vary significantly in differing rate environments. Such changes could affect the level of reinvestment risk associated with cash flow from these instruments, as well as their market value. Changes in prepayment speeds could also increase or decrease the amortization of premium or accretion of discounts related to such instruments, thereby affecting interest income.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk Management

Interest rate risk management is our primary market risk. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Interest Rate Sensitivity Analysis” herein for a discussion of our management of our interest rate risk.

Impact of Inflation

Our financial statements and related data contained in this annual report have been prepared in accordance with GAAP, which require the measure of financial position and operating results in terms of historic dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Inflation generally increases the costs of funds and operating overhead, and to the extent loans and other assets bear variable rates, the yields on such assets. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant effect on the performance of a financial institution than the effects of general levels of inflation. In addition, inflation affects a financial institution’s cost of goods and services purchased, the cost of salaries and benefits, occupancy expense and similar items. Inflation and related increases in interest rates generally decrease the market value of investments and loans held and may adversely affect liquidity, earnings and shareholders’ equity.

Item 4. Controls and Procedures

As of June 30, 2018, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934). Based on this evaluation, management concluded that our disclosure controls, procedures and internal control over financial reporting were not effective as of June 30, 2018 as a result of an identified material weakness, as described in the Company's 2017 Form 10-K, resulting from the aggregation of control deficiencies in management’s review of the allowance for loan losses, including certain process level controls to ensure the completeness and accuracy of loan reports used in the classification of loans as well as the precision of management’s review over the calculation of the allowance for loan losses balance. This material weakness did not result in any misstatement of the Company’s consolidated financial statements, including the allowance for loan losses, for any period presented. The Company's remediation efforts related to this material weakness are ongoing. Excluding the changes outlined below, there were no changes in the Company’s internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Remediation Plan for Material Weakness in Internal Control Over Financial Reporting

In response to the material weakness identified above, the Company has established and filled an Internal Audit Manager position to supplement internal and external resources dedicated to the documentation and testing of the Company's internal controls over financial reporting and has implemented modified controls over the completeness and accuracy of loan reports and added additional controls to further increase the precision in the review of the calculation of the allowance for loan losses. As of the date of this filing, the Company's remediation efforts related to this material weakness are ongoing.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company and the Bank are periodically involved in various legal proceedings as normal incident to their businesses. In the opinion of management, no material loss is expected from any such pending lawsuit.

Item 1A. Risk Factors

There have been no material changes in risk factors previously disclosed in the Company's Form 10-K for the year ended December 31, 2017, filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed herewith:

10.4 [Employment Agreement by and among Bankwell Financial Group, Inc. and Heidi S. DeWyngaert](#)

10.14 [Employment Agreement by and among Bankwell Financial Group, Inc. and David Dineen](#)

10.15 [Employment Agreement by and among Bankwell Financial Group, Inc. and Penko Ivanov](#)

10.18 [Employment Agreement by and among Bankwell Financial Group, Inc. and Christine Chivily](#)

31.1 [Certification of Christopher R. Gruseke pursuant to Rule 13a-14\(a\)](#)

31.2 [Certification of Penko Ivanov pursuant to Rule 13a-14\(a\)](#)

32 [Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

101 The following materials from Bankwell Financial Group, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2018, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 7, 2018

Bankwell Financial Group, Inc.

/s/ Christopher R. Gruseke

Christopher R. Gruseke

President and Chief Executive Officer

Date: August 7, 2018

/s/ Penko Ivanov

Penko Ivanov

Executive Vice President and Chief

Financial Officer

(Principal Financial and Accounting Officer)

Employment Agreement

This Employment Agreement (the "**Agreement**") is made and entered into as of June 1, 2018 effective January 1, 2018 by and among Heidi S. DeWyngaert (the "**Executive**") on the one side, and Bankwell Financial Group, Inc., a Connecticut bank holding company (the "**Company**") and its wholly-owned bank subsidiary, Bankwell Bank (the "**Bank**") on the other. Unless a distinction is appropriate, the term "Company" in this Agreement shall include the Bank.

WHEREAS Company desires to continue to employ the Executive on the terms and conditions set forth herein; and

WHEREAS, the Executive desires to be employed by the Company on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. Term. The Executive's employment shall be effective as of January 1, 2018 (the "**Effective Date**") and shall continue until December 31, 2019, unless terminated earlier pursuant to Section 5 of this Agreement. The period during which the Executive is employed by the Company hereunder including any renewal term is hereinafter referred to as the "**Employment Term**." The Company shall notify the Executive no later than October 1, 2018 if it wishes to extend the Employment Term for an additional one-year term and on an annual basis thereafter by providing such written notice no later than October 1 in that year. If the Company does not provide such written notice by October 1 in the applicable year, the Employment Term shall expire on December 31, 2019 or the then current December 31 termination date. If the Employment Term is extended as provided herein, the Employment Term shall expire on December 31, 2020 or the then current December 31 termination date, and all of the provisions of this Agreement shall remain in effect during the period of such extension unless otherwise agreed in writing. If the Employment Term is not extended by the Company for an additional one-year term following the initial term expiration date of December 31, 2019 or subsequent anniversary dates, the Executive's employment shall terminate as of December 31st in the then current year, and the Company shall pay to Executive a severance payment as provided in **Section 5.1(a)** below.

2. Position and Duties.

2.1 Position. The Executive will serve as Executive Vice President, Chief Lending Officer of the Company, having such power, authority and responsibility and performing such duties as are prescribed by or under the Bylaws of the Company and as are customarily associated with such position as reasonably determined by the Company's Chief Executive Officer. The Executive shall, if requested, also serve as a member of the Board of Directors of Bank affiliates or as an officer or director of any affiliate of the Company for no additional compensation.

2.2 Reporting/Flexibility. The Executive shall report directly to the Chief Executive Officer of the Company. The Company's Chief Executive Officer may, during the Employment Term below, alter Executive's job, position and/or reporting responsibilities as he deems appropriate to the effective management of the Company, provided that Executive shall at all times be on the senior executive team as Chief Lending Officer and shall at all times be a direct report to the Company's Chief Executive Officer.

2.3 Effort and Exclusivity. The Executive shall devote substantially all of her business time and attention (other than during weekends, holidays, vacation periods, and periods of illness or leaves of absence) to the performance of the Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which could conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Chairperson of the Compensation Committee. Notwithstanding the foregoing, the Executive will be permitted to:

(a) with the prior written consent of the Company's Chairperson of the Compensation Committee act or serve as a director, trustee, committee member or principal of any type of business, civic or charitable organization; and

(b) with the prior written consent of the Company's Chairperson of the Compensation Committee purchase or own less than two percent (2%) of the securities or ownership interests of any corporation, partnership or limited liability company; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company; provided further that, the activities described in clauses (a) and (b) do not materially interfere with the performance of the Executive's duties and responsibilities to the Company as provided hereunder.

Attached as Schedule A to the Agreement is a list of pre-approved outside engagements of the Executive.

3. Place of Performance. The principal place of the Executive's employment shall be the Company's executive office currently located in New Canaan, Connecticut; provided that, the Executive will be required to travel on Company business during the Employment Term as her responsibilities require.

4. Compensation.

4.1 Base Salary. The Company shall pay the Executive an annual rate of base salary of \$290,500 in periodic installments in accordance with the Company's customary payroll practices, but no less frequently than monthly. The Executive's annual base salary may be increased from time to time by the Compensation Committee, but may not be decreased without the Executive's written consent. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

4.2 Annual Incentive Plan or Program. The Executive shall be eligible to participate in the annual incentive compensation plan or program ("**Annual Incentive**") available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company. The target cash incentive for calendar year 2018 is 30% of Base

Salary.

4.3 Long Term Plan. The Executive shall be eligible to participate in any long term incentive compensation plan or program available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company. The long term plan may be incorporated into or overlap with the Equity Awards program.

4.4 Equity Awards. During the Employment Term, the Executive shall be eligible to participate in equity awards under the 2012 Bankwell Financial Group, Inc. Stock Plan, as amended, or any successor plan ("**Equity Awards**") as available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company.

4.5 Employee Benefits. During the Employment Term, the Executive shall be entitled to participate in all general employee benefit plans, practices and programs maintained by the Company, as in effect from time to time (collectively, "**Employee Benefit Plans**"), on a basis which is no less favorable than is provided to other similarly situated executives of the Company, to the extent consistent with applicable law and the terms of the applicable Employee Benefit Plans. The Company reserves the right to amend or cancel any Employee Benefit Plan at any time in its sole discretion, subject to the terms of such Employee Benefit Plan and applicable law.

4.6 Business Expenses. Upon submission of appropriate invoices or vouchers, the Company shall pay or reimburse the Executive for all reasonable expenses incurred by her in the performance of her duties under this Agreement in furthering the business, and in keeping with the policies, of the Company.

4.7 Vacation. The Executive is entitled to paid time-off ("**PTO**") as outlined in the Company's personnel policy.

4.8 Insurance Policies, Key Man/BOLI Insurance. The Executive shall permit the Company to insure her life under a policy or policies of life insurance issued by an insurance company or companies selected by the Company, and to name the Company as sole or primary beneficiary thereunder. The Executive agrees to submit to any physical examinations which may be reasonably required in connection with such policies.

In accordance with HIPAA, all information obtained in connection with the above-referenced insurance will be regarded as confidential and subject to applicable privacy laws.

4.9 Clawback Provisions. Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

4.10 Required Regulatory Provisions. Notwithstanding anything herein contained to the contrary, any payments to the Executive by the Company, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359.

4.11 Standard Deductions. All payments made under this Agreement shall be subject to any and all applicable taxes and withholdings and to the Company's standard payroll practices.

5. Termination of Employment. The Employment Term and the Executive's employment hereunder may be terminated by the Company at any time and for any reason. The Executive may resign her employment at any time subject to the terms hereof. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this **Section 5** and shall have no further rights to any compensation or any other benefits from the Company, the Bank or any of their affiliates.

5.1 Non-Extension of the Term, Termination Without Cause or Resignation for Good Reason.

(a) The Executive's employment hereunder may be terminated upon the expiration of the Employment Term without extension by the Company in accordance with Section 1 or terminated by the Company at any time without Cause (as defined below) or by the Employee's resignation for Good Reason (as defined below). If the Executive's employment is so terminated, the Executive shall be entitled to receive:

- (i) Any unpaid Base Salary and Annual Incentive earned prior to the Termination Date (as defined in Section 5.7 below) in accordance with the Company's customary payroll procedures;
- (ii) A payment equal to 2x (two times) the annual Base Salary;
- (iii) A payment equal to the product of (i) the target annual Incentive that the Executive could have earned under any incentive compensation or incentive plan or program (the "Target Incentive") for the full calendar year in which the Date of Termination occurs and (ii) a fraction, the numerator of which is the number of days the Executive was employed by the Company during the year of termination and the denominator of which is the number of days in such year. This amount shall be paid no later than March 15th of the year following the year in which the Termination Date occurs;
- (iv) If the Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), the Company shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for herself and her dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on or before the fifteenth (15th) day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive

shall be eligible to receive such reimbursement until the earliest of: (i) the expiration of the twelve (12) month period beginning on the Termination Date (the "Severance Period"); (ii) the date the Executive is no longer eligible to receive COBRA continuation coverage; and (iii) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer;

- (v) The treatment of any outstanding equity awards shall be determined in accordance with the terms of the relevant plan and the applicable award agreements; and
- (vi) Reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Company's expense reimbursement policy.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the "**Accrued Amounts**".

5.2 Termination for Cause or Resignation Without Good Reason.

(a) The Executive's employment hereunder may be terminated during the Employment Term by the Company for Cause or by the Executive without Good Reason.

(b) For purposes of this Agreement, "**Cause**" shall mean:

- (i) the Executive's conviction of any crime involving fraud, embezzlement, theft or dishonesty, moral turpitude or any similar issue that in the reasonable opinion of the Board of Directors of the Company would materially and negatively impact the reputation of the Company, the Bank or any of their affiliates or the Executive's ability to perform her duties hereunder;
- (ii) serious willful misconduct by the Executive, including a material violation of the Company's Code of Conduct or the Executive's material personal dishonesty in connection with the business or customers of the Company or the material breach of fiduciary duty to the Company, the Bank or their customers for personal profit;
- (iii) any material breach by the Executive of this Agreement;
- (iv) any willful failure by the Executive to follow a reasonable and lawful directive of the Company as described in **Sections 2.1 and 2.2** above, other than any failure resulting from the Executive's incapacity due to physical or mental injury or illness;
- (v) any willful failure to keep Confidential Information of the Company, Bank or their affiliates confidential in violation of the terms of this Agreement;
- (vi) the Executive's arrest for any crime involving fraud, embezzlement, theft or dishonesty that in the reasonable opinion of a majority of the full membership

of the Board of Directors of the Company excluding the Executive which, as direct result of such arrest, has caused a material negative impact on the reputation of the Company or the Bank or prevents the Executive from substantially performing her duties hereunder; or

- (vii) if the regulatory authorities of the Company or the Bank issue an order removing the Executive from her positions at the Company or the Bank, or if such regulatory authorities inform the Board of Directors that the continuation of the Executive in her officer positions at the Company or the Bank would constitute an unsafe and unsound banking practice.

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company and the Bank. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the Company or either of the Bank or based upon the written advice of counsel for the Company or the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company and the Bank. The Executive's termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of the majority of the Board of Directors of the Company called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board of Directors) finding that, in the good faith opinion of the Board of Directors, the Executive is guilty of any of the conduct described above, and specifying the particulars thereof in detail. To the extent that the Board of Directors wishes to terminate the Executive for Cause and the action or actions giving rise to Cause may be cured by the Executive, the Board of Directors will provide the Executive a thirty (30) day period within which she may cure such action or actions.

In the event that the Executive is terminated for Cause based on **Section 5.2(b)(i) or (vi)** above and, after the case is fully adjudicated (including all appeals), the Executive is subsequently found innocent of these charges on the merits of the case by any court of competent jurisdiction or the appropriate administrative agency, then the Executive will be entitled to receive at that time the amounts payable due to a termination without Cause. Such amounts will be paid no later than the end of the calendar year in which the Executive is fully adjudicated to be innocent of the charges.

(c) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive's written consent:

- (i) a reduction in the Executive's Base Salary;
- (ii) a material reduction in the Executive's target annual incentive opportunity under any annual incentive compensation or incentive plan or program;
- (iii) any breach by the Company of any material provision of this Agreement;
- (iv) the Company's failure to obtain an agreement from any successor to the

Company to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place, except where such assumption occurs by operation of law;

- (v) a material, adverse change in the Executive's title, authority, duties or responsibilities (other than a temporary change while the Executive is physically or mentally incapacitated or as required by applicable law); or
- (vi) relocation of Executive's principal place of business more than 50 miles from the Company's executive office currently located in New Canaan, Connecticut, without Executive's agreement.

The Executive cannot terminate her employment for Good Reason unless she has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within thirty (30) days of Executive's knowledge of the initial existence of such grounds and the Company has had thirty (30) days from the date on which such notice is provided to cure such circumstances. If the Company remedies the condition within such thirty (30) day cure period, then no Good Reason shall be deemed to exist with respect to such condition. If the Company does not remedy the condition within such thirty (30) day cure period, then the Executive may deliver a notice of termination for Good Reason at any time within sixty (60) days following the expiration of such cure period. If the Executive does not terminate her employment for Good Reason within sixty (60) days following the expiration of the cure period, then the Executive will be deemed to have waived her right to terminate for Good Reason with respect to such grounds.

5.3 Without Cause or for Good Reason. The Employment Term and the Executive's employment hereunder may be terminated by the Executive by resignation for Good Reason or by the Company without Cause. In the event of such termination (unless Section 5.5 below is applicable), the Executive shall be entitled to receive the amounts described in **Section 5.1(a)(i)-(vi)**, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement.

5.4 Death or Disability.

(a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Employment Term, and the Company may terminate the Executive's employment on account of the Executive's Disability.

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the following:

- (i) the Accrued Amounts; and
- (ii) the treatment of any outstanding equity awards shall be determined in accordance with the terms of applicable plan and the applicable award agreements.

(c) For purposes of this Agreement, Disability shall mean that the Executive is entitled to receive long-term disability benefits under the Company's long-term disability plan, or if there is no such plan, the Executive's inability, due to physical or mental incapacity, after Company compliance with any federal or state leave rights or reasonable accommodation rules to substantially perform her duties and responsibilities under this Agreement for ninety (90) days out of any three hundred sixty-five (365) day period; provided however, in the event the Company temporarily replaces the Executive, or transfers the Executive's duties or responsibilities to another individual on account of the Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, a Disability, then the Executive shall not be able to resign with Good Reason as a result thereof.

Any question as to the existence of the Executive's Disability as to which the Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Company. If the Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and the Executive shall be final and conclusive for all purposes of this Agreement.

5.5 Change in Control Termination.

(a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated by the Executive for Good Reason or by the Company without Cause (other than on account of the Executive's death or Disability), in each case either concurrently with or within twenty-four (24) months following a Change in Control, the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6, Section 7 and Section 8** of this Agreement for which the Company assigns significant value in agreeing to this **Section 5.5**, the Executive shall be entitled to receive the following:

- (i) a lump sum payment equal to two (2) times the sum of the Executive's Base Salary and Target Incentive for the year in which the Termination Date occurs, which shall be paid within thirty (30) business days following the expiration of the Release Execution Period;
- (ii) a payment equal to the product of (i) the Target Incentive for the full calendar year in which the Date of Termination occurs and (ii) a fraction, the numerator of which is the number of days the Executive was employed by the Company during the year of termination and the denominator of which is the number of days in such year. This amount shall be paid no later than the later of the end of the Release Execution period or March 15th of the year following the year in which the Termination Date occurs;
- (iii) If the Executive timely and properly elects continuation coverage under COBRA, the Company shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for herself and her dependents and the monthly premium amount paid by similarly situated

active executives. Such reimbursement shall be paid to the Executive on the fifteenth (15th) day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of: (A) the two-year anniversary of the termination date; (B) the date the Executive is no longer eligible to receive COBRA continuation coverage; and (C) the date on which the Executive receives or becomes eligible to receive substantially similar coverage from another employer; and

- (iv) The terms of any equity incentive plan or award agreements will determine to what extent, if any, such awards are accelerated for vesting and/or exercise periods.

(b) For purposes of this Agreement, “**Change in Control**” shall mean the occurrence of any of the following:

- (i) one person (or more than one person acting as a group) acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company; provided that, a Change in Control shall not occur if any person (or more than one person acting as a group) owns more than fifty percent (50%) of the total fair market value or total voting power of the Company's stock and acquires additional stock; or
- (ii) a majority of the members of the Board of Directors of the surviving Company following the Change in Control were not Directors of the Company before the Change in Control.

For purposes of this Agreement, the terms "person" and "acting as a group" shall have the meanings specified in the Internal Revenue Code and the regulations thereunder. In no event, however, shall a Change in Control be deemed to have occurred as a result of any acquisition of securities or assets of the Company, the Bank, or a subsidiary of either of them, by the Company, the Bank, or any subsidiary of either of them, or by any employee benefit plan maintained by any of them. The defined circumstances herein are intended to be read to be consistent with the provisions of Section 409A of the Code and the regulations thereunder.

In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this Agreement shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.6 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Employment Term (other than termination pursuant to **Section 5.4(a)** on account of the Executive's death) shall be communicated by a written notice of termination (“**Notice of Termination**”) to the other party hereto in accordance with **Section 24**. The Notice of Termination shall specify:

- (a) The termination provision of this Agreement relied upon;
- (b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and
- (c) The applicable Termination Date.

5.7 Termination Date. The Executive's Termination Date shall be:

- (a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;
- (b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that Executive satisfies the definition of Disability;
- (c) If the Company terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive (subject to any applicable cure period herein);
- (d) If the Company terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination, which shall be no less than thirty (30) days following the date on which the Notice of Termination is delivered; provided that, the Company shall have the option to provide the Executive with a lump sum payment equal to thirty (30) days' Base Salary in lieu of such notice, which shall be paid in a lump sum on the Executive's Termination Date and for all purposes of this Agreement, the Executive's Termination Date shall be the date on which such Notice of Termination is delivered;
- (e) If the Executive terminates her employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than thirty (30) days following the date on which the Notice of Termination is delivered; provided that, the Company may waive all or any part of the thirty (30) day notice period for no consideration by giving written notice to the Executive and for all purposes of this Agreement, the Executive's Termination Date shall be the date determined by the Company; and
- (f) If the Executive's employment hereunder terminates because the Company provides notice of non-renewal pursuant to Section 1, the end of the Employment Term.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a "separation from service" within the meaning of Section 409A.

5.8 Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this **Section 5** shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.9 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive agrees to resign, effective on the Termination Date and shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the Board of Directors (or a committee thereof) of the Company, the Bank or any of their affiliates.

5.10 Section 280G.

(a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the "**280G Payments**") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**") and will be subject to the excise tax imposed under Section 4999 of the Code (the "**Excise Tax**"), the Executive shall receive the greatest of the following, whichever gives the Executive the highest net after-tax amount (after taking into account federal, state, local and social security taxes):

- (1) the 280G Payments or
- (2) one dollar less than the amount of the Payments that would subject the Executive to the Excise Tax (the "**Safe Harbor Amount**").

If a reduction in the 280G Payments is necessary so that the 280G Payments equal the Safe Harbor Amount and none of the 280G Payments constitute a deferral of compensation within the meaning of and subject to Section 409A ("**Nonqualified Deferred Compensation**"), then the reduction shall occur in the manner the Executive elects in writing prior to the date of payment. If any 280G Payments constitute Nonqualified Deferred Compensation or if the Executive fails to elect an order, then the 280G Payments to be reduced will be determined in a manner which has the least economic cost to the Executive and, to the extent the economic cost is equivalent, will be reduced in the inverse order of when payment would have been made to you, until the reduction is achieved.

(b) All calculations and determinations under this **Section 5.9** shall be made by an independent accounting firm or independent tax counsel appointed by the Company (the "**Tax Counsel**") whose determinations shall be conclusive and binding on the Company and the Executive for all purposes. For purposes of making the calculations and determinations required by this Section 5.9, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Company and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this Section 5.9. The Company shall bear all costs the Tax Counsel may reasonably incur in connection with its services.

(c) The Executive hereby agrees with the Company and any successor thereto to in good faith consider and take steps commonly used to minimize or eliminate any "parachute payments" within the meaning of Section 280G of the Code if requested to do so by the

Company or any successor thereto; provided, however, that the foregoing language shall neither require the Executive to take or not take any specific action in furtherance thereof nor contravene, limit or remove any right or privilege provided to the Executive under this Agreement.

6. Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive's reasonable cooperation post termination of employment. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the Board and subject to the Executive's reasonable availability due to her commitment to a new employer or business, the Executive shall cooperate with the Company in connection with matters arising out of the Executive's service to the Company; provided that, the Company shall make reasonable efforts to minimize disruption of the Executive's other activities. The Company shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation and, to the extent that the Executive is required to spend substantial time on such matters, the Company shall compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date.

7. Confidential Information. The Executive understands and acknowledges that during the Employment Term, she will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the Company, the Bank or their affiliates, or of any other person or entity that has entrusted information to the Company in confidence.

The Executive understands and agrees that Confidential Information includes information developed by her in the course of her employment by the Company as if the Company furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive or later; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever except as required in the performance of the Executive's authorized employment duties to the Company; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Company, except as

required in the performance of the Executive's authorized employment duties to the Company and the Bank. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order.

The Executive understands and acknowledges that her obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information (whether before or after she begins employment by the Company) and shall continue during and after her employment by the Company until such time as such Confidential Information has become public knowledge other than as a result of the Executive's breach of this Agreement or breach by those acting in concert with the Executive or on the Executive's behalf. Nothing herein shall prevent the Executive from disclosing Contract Information to her personal attorneys, accountants and other advisors, as necessary for the performance of their duties and on a confidential basis. Additionally, nothing herein shall prohibit the Executive from retaining, at any time, her personal correspondence and documents related to her own personal benefits, entitlements and obligations.

8. Restrictive Covenants.

8.1 Acknowledgment. The Executive understands that the nature of the Executive's position may give her access to and knowledge of Confidential Information and places her in a position of trust and confidence with the Company. The Executive understands and acknowledges that the intellectual services she provides to the Company are unique, special or extraordinary.

The Executive further understands and acknowledges that the Company's ability to reserve these services for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure by the Executive is likely to result in unfair or unlawful competitive activity.

8.2 Non-competition. Because of the Company's legitimate business interest as described herein and the good and valuable consideration offered to the Executive, during the Employment Term and for the term of six (6) months, beginning on the last day of the Executive's employment with the Company, for any reason or no reason and whether employment is terminated at the option of the Executive or the Company (provided that these restrictions shall NOT apply if Executive's termination occurs because Executive is terminated for CAUSE), the Executive agrees and covenants not to engage in Prohibited Activity within Fairfield or New Haven Counties or any other county in which the Company, the Bank or any of their affiliates maintains as of the Termination Date a branch, loan production office, or mortgage production office and from which the Company does a significant portion of its business. For the purposes of this Agreement, "significant portion of its business" shall mean ten percent (10%) or more of the Company's total interest income for the most recent full twelve-month period preceding termination is attributable to the office(s) in such county (the "**Restricted Area**"). Without otherwise limiting the foregoing, the Restricted Area shall not include New York County (Manhattan), New York. Notwithstanding the foregoing and for the avoidance of doubt, nothing herein shall prevent Executive from engaging in any activity with, or holding any financial interest in, a non-competitive affiliate or division of an entity

engaged in a business that may engage in a Prohibited Activity, provided, that none of Executive's activities or financial interests in respect of such non-competitive affiliate or division would be a Prohibited Activity under this Agreement in respect of the entity engaged in a business that competes with Company.

For purposes of this Section 8.2:

(a) **"Prohibited Activity"** is activity in which the Executive, directly or indirectly, solely or jointly with any person or persons, as an employee, consultant, or advisor (whether or not engaged in business for profit), or as an individual proprietor, partner, shareholder, director, officer, joint venturer, investor or lender, or in any other capacity: (i) becomes affiliated with any bank or commercial lender headquartered or with branches in the counties in which the Company has branches at the time of employment termination; or (ii) becomes affiliated with a different Community Banking Institution in the Restricted Area;

(b) **"become affiliated"** shall mean, without limitation, engaging, participating, or being involved in any respect in the business of banking (other than as a depositor, borrower or other customer), or furnishing any aid, assistance or service of any kind to any person in connection with the business of the Company, the Bank and any of their affiliates, and shall include without limitation being employed by any Community Banking Institution which has a branch or other place of business in the Restricted Area; and

(c) **"Community Banking Institution"** shall mean a bank with assets equal to or less than five billion dollars.

Nothing herein shall prohibit the Executive from purchasing or owning less than five percent (5%) of the securities or ownership interests of any corporation, partnership or limited liability company, provided that such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company.

Notwithstanding the foregoing, the provisions of this **Section 8.2** shall not apply in the event the Executive is employed by the Company for the entire Employment Term and the Company determines not to renew or extend this Agreement on substantially similar terms.

This **Section 8** does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Executive shall promptly provide written notice of any such order to the Board of Directors.

8.3 Non-solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company, the Bank or any of their Affiliates for the term of one (1) year, beginning on the last day of the Executive's employment with the Company, provided that a general, broad-based solicitation or advertisement not intentionally directed at such employees shall not be deemed to be a violation of this provision.

8.4 Non-solicitation of Clients. The Executive understands and acknowledges that because of the Executive's experience with and relationship to the Company, she will have access to and learn about much or all of the clients, prospective clients and referral sources of the Company, the Bank and their affiliates. The Executive understands and acknowledges that loss of these client and referral relationships and/or goodwill will cause significant and irreparable harm. The Executive agrees and covenants, for a period of one (1) year, beginning on the last day of the Executive's employment with the Company, not to directly or indirectly (a) solicit (for services that are competitive with the Company, the Bank or its Affiliates) any actual or prospective client or client-referral source who had a direct or indirect business relationship with the Company, the Bank or any of their Affiliates during the period of time in which the Executive was employed by the Company, it being expressly agreed that soliciting a referral from a prospective client or client-referral source is included within this prohibition; or (b) encourage any such client or client-referral source to turn down, terminate or materially reduce a business relationship with the Company, the Bank or any of their affiliates.

8.5 Non-disparagement. The Executive agrees and covenants that she will not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company, the Bank, any of their affiliates or their respective businesses, or any of their employees, officers, and existing and prospective clients, and the Company and the Bank will not, and shall cause their Board of Directors and their senior executives not to, at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Executive, provided, however, nothing herein shall prevent a party from (i) responding publicly to incorrect, disparaging or derogatory public statements to the extent reasonably necessary to correct or refute such public statement or (ii) making any truthful statements in response to legal or bank regulatory examination process, required governmental testimony or filings, or administrative or arbitral proceedings.

8.6 Non-Interference Covenant. For a period of one (1) year, beginning on the last day of the Executive's employment with the Company, the Executive covenants and agrees that she will not, directly or indirectly and for whatever reason, whether for her own account or for the account of any other person, firm, corporation or other organization:

(a) solicit, employ, or otherwise materially interfere with any of the contracts or relationships of the Company, the Bank or any of their affiliates with any employee, officer, director or any independent contractor who is employed by or associated with the Company, the Bank or any of their affiliates as of the Termination Date; or

(b) actively solicit or cause to be solicited, or otherwise actively and materially interfere with, any of the contracts or relationships of the Company, the Bank or any of their affiliates with any independent contractor, customer, client or supplier of the Company, the Bank or any of their affiliates.

8.7 Business Materials and Property Disclosure. All written materials, records, and documents made by the Executive or coming into her possession concerning the business or affairs of the Company, the Bank or any of their affiliates shall be the sole property of the Company. Upon termination of her employment with the Company, the Executive shall deliver

the same to the Company and shall retain no copies, including but not limited to copies in paper, electronic, digital or any other format. The Executive shall also return to the Company all other property in her possession owned by the Company upon the termination of her employment. The Executive may retain the Executive's rolodex and similar address books provided that such items only include contact information.

If a court or arbitration panel concludes that the time period of the restriction set forth in this **Section 8** is not enforceable or that a specific geographical scope must be stated herein, then the parties agree that such court or arbitration panel may rewrite the time period of this restriction and/or prescribe a geographical restriction to the maximum enforceable time period and geographical area permitted by law.

9. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by her to the Company are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the Company's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Company.

The Executive further acknowledges that the amount of her compensation reflects, in part, her obligations and the Company's rights under Section 7 and Section 8 of this Agreement; that she has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; and that she will not be subject to undue hardship by reason of her full compliance with the terms and conditions of Section 7 and Section 8 of this Agreement or the Company's enforcement thereof.

10. Remedies. In the event of a breach or threatened breach by the Executive of **Section 7** or **Section 8** of this Agreement, the Executive hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

11. Arbitration. Any dispute whatsoever relating to the Executive's employment by the Company, or any other dispute arising out of this Agreement which cannot be resolved by any party upon thirty (30) days' written notice to the other party, shall be settled by binding arbitration at a mutually agreed location in Fairfield County, Connecticut in accordance with the then prevailing Employment Dispute Resolution Rules of the American Arbitration Association. The judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. It is the purpose of this Agreement, and the intent of the parties hereto, to make the submission to arbitration of any dispute or controversy arising out of this Agreement, as set forth hereinabove, binding upon all parties hereto. This Section 11 shall not in any way restrict the right of the Company to obtain injunctive relief from a court of competent jurisdiction.

All arbitration costs and all other costs, including but not limited to reasonable attorneys' fees, incurred by the Executive in an arbitration proceeding shall be paid by the Company in the event the Executive materially or substantively prevails in such arbitration proceeding. All arbitration costs and all other costs, including but not limited to reasonable attorneys' fees, incurred by the Company in an arbitration proceeding shall be paid by the Executive in the event the Company materially or substantively prevails in such arbitration proceeding. As part of the judgment rendered by the arbitrators in an arbitration proceeding, the arbitrators shall determine which party (if any) has materially or substantively prevailed in such arbitration proceeding.

12. Governing Law; Jurisdiction and Venue. This Agreement, for all purposes, shall be construed in accordance with the laws of Connecticut without regard to conflicts of law principles. Any action or proceeding by either of the parties to enforce this Agreement that is not covered by the Arbitration provision of Section 11 above shall be brought only in a state or federal court located in the state of Connecticut, county of Fairfield. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

13. Legal Fees. The Company shall pay or reimburse the Executive for all reasonable and documented legal fees incurred by her in connection with the negotiation of this Agreement and any other agreements related to Executive's employment arrangement with the Company, up to \$6,000.

14. Source of Payments; No Duplication of Payments. All payments provided in this Agreement shall be timely paid in cash or check from the general funds of the Company or the Bank. Payments pursuant to this Agreement shall be allocated between the Company and the Bank in proportion to the approximate level of activity and the time expended on such activities by the Executive as determined by the Company and the Bank on a quarterly basis, unless the applicable provision of this Agreement specifies that the payment shall be made by either the Company or the Bank. In no event shall the Executive receive duplicate payments or benefits from the Company and the Bank.

15. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

16. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by Chairperson of the Board of Directors of the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

17. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

18. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

19. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20. Tolling. Should the Executive violate any of the terms of the restrictive covenant obligations articulated herein, the obligation at issue will run from the first date on which the Executive ceases to be in violation of such obligation.

21. Section 409A. This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Notwithstanding any other provision of this Agreement, in the event any payment is to be made during a specified time period following the expiration of the Release Execution Period and the time period for such payment begins in one calendar year and ends in a second calendar year, then such amount shall be payable in the second calendar year. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with her termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and the Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date (the "**Specified Employee Payment Date**"), unless the payment otherwise satisfies the short-term deferral exemption or another exemption under Section 409A of the Code. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

22. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

23. Indemnification.

(a) In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, the Executive shall be indemnified and held harmless by the Company to the fullest extent permitted by applicable law from and against any liabilities, costs, claims and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees).

(b) During the Employment Term and for a period of six (6) years thereafter, the Company or any successor to the Company shall purchase and maintain, at its own expense, directors' and officers' liability insurance providing coverage to the Executive on terms that are no less favorable than the coverage provided to other directors and senior officers of the Company.

24. Notice. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the Company:

Chairperson
Compensation Committee
Bankwell Financial Group, Inc.
220 Elm Street
New Canaan, CT 06840

If to the Executive:

Heidi DeWyngaert
4 Laurel Road
South Salem, New York 10590-

25. Representations of the Executive. The Executive represents and warrants to the Company that:

25.1 The Executive's acceptance of employment with the Company and the performance of her duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which she is a party or is otherwise bound.

25.2 The Executive's acceptance of employment with the Company and the performance of her duties hereunder will not violate any non-solicitation, non-competition or other similar covenant or agreement of a prior employer.

26. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

27. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

28. Release. No severance payment (or similar payment triggered by termination of employment) shall be due to Executive unless and until her execution of a release of claims in favor of the Company, the Bank and their affiliates and their respective officers and directors in a commercially reasonable form provided by the Company (a "**Release**") and such Release becoming effective as provided therein ("**Release Execution Period**").

29. Acknowledgment of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT SHE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THE AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT SHE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HER CHOICE BEFORE SIGNING THE AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

BANKWELL FINANCIAL GROUP, INC.

By /s/ Christopher Gruseke
Name: Christopher Gruseke
Title: President and Chief Executive Officer

BANKWELL BANK

By /s/ Christopher Gruseke
Name: Christopher Gruseke
Title: President and Chief Executive Officer

EXECUTIVE

Signature: /s/ Heidi S. DeWyngaert

Print Name: Heidi S. DeWyngaert

SCHEDULE A

The Executive's involvement in the following outside activities is approved:

Boards

Norwalk Chamber of Commerce

Real Estate Finance Association (Fairfield/Westchester)

Memberships

Connecticut Housing Finance Authority

Employment Agreement

This Employment Agreement (the "**Agreement**") is made and entered into as of June 1, 2018 effective January 1, 2018 by and among David Dineen (the "**Executive**") on the one side, and Bankwell Financial Group, Inc., a Connecticut bank holding company (the "**Company**") and its wholly-owned bank subsidiary, Bankwell Bank (the "**Bank**") on the other. Unless a distinction is appropriate, the term "Company" in this Agreement shall include the Bank.

WHEREAS Company desires to continue to employ the Executive on the terms and conditions set forth herein; and

WHEREAS, the Executive desires to be employed by the Company on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. Term. The Executive's employment shall be effective as of January 1, 2018 (the "**Effective Date**") and shall continue until December 31, 2018 unless terminated earlier pursuant to Section 5 of this Agreement. The period during which the Executive is employed by the Company hereunder including any renewal term is hereinafter referred to as the "**Employment Term**." The Company shall notify the Executive no later than October 1, 2018 if it wishes to extend the Employment Term for an additional one-year term and on an annual basis thereafter by providing such written notice no later than October 1 in that year. If the Company does not provide such written notice by October 1 in the applicable year, the Employment Term shall expire on December 31, 2018 or the then current December 31 termination date. If the Employment Term is extended as provided herein, the Employment Term shall expire on December 31, 2019 or the then current December 31 termination date, and all of the provisions of this Agreement shall remain in effect during the period of such extension unless otherwise agreed in writing. If the Employment Term is not extended by the Company for an additional one-year term following the initial term expiration date of December 31, 2018 or subsequent anniversary dates, the Executive's employment shall terminate as of December 31st in the then current year, and the Company shall pay to Executive a severance payment as provided in Section 5.1(a) below.

2. Position and Duties.

2.1 Position. The Executive will serve as Executive Vice President and Head of Community Banking of the Company and the Bank, having such power, authority and responsibility and performing such duties as are prescribed by or under the Bylaws of the Company and as are customarily associated with such position as reasonably determined by the Company's Chief Executive Officer. The Executive shall, if requested, also serve as a member of the board of directors of Bank affiliates or as an officer or director of any affiliate of the Company for no additional compensation.

2.2 Reporting/Flexibility. The Executive shall report directly to the Chief Executive Officer of the Company. The Company's Chief Executive Officer may, during the Employment Term below, alter Executive's job, position, and/or reporting responsibilities as he deems appropriate to the effective management of the Company.

2.3 Effort and Exclusivity. The Executive shall devote substantially all of his business time and attention (other than during weekends, holidays, vacation periods, and periods of illness or leaves of absence) to the performance of the Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which could conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Chairperson of the Compensation Committee. Notwithstanding the foregoing, the Executive will be permitted to:

(a) with the prior written consent of the Company's Chairperson of the Compensation Committee act or serve as a director, trustee, committee member or principal of any type of business, civic or charitable organization; and

(b) with the prior written consent of the Company's Chairperson of the Compensation Committee purchase or own less than two percent (2%) of the securities or ownership interests of any corporation, partnership or limited liability company; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company; provided further that, the activities described in clauses (a) and (b) do not materially interfere with the performance of the Executive's duties and responsibilities to the Company as provided hereunder.

Attached as Schedule A to the Agreement is a list of pre-approved outside engagements of the Executive.

3. Place of Performance. The principal place of the Executive's employment shall be the Company's executive office currently located in New Canaan, Connecticut; provided that, the Executive will be required to travel on Company business during the Employment Term as his responsibilities require.

4. Compensation.

4.1 Base Salary. The Company shall pay the Executive an annual rate of base salary of \$281,000.00 in periodic installments in accordance with the Company's customary payroll practices, but no less frequently than monthly. The Executive's annual base salary may be increased from time to time by the Compensation Committee, but may not be decreased without the Executive's written consent. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

4.2 Annual Incentive Plan or Program. The Executive shall be eligible to participate in the annual incentive compensation plan or program ("**Annual Incentive**") available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company. The target cash incentive for calendar year 2018 is 30% of Base Salary.

4.3 Long Term Plan. The Executive shall be eligible to participate in any long term incentive compensation plan or program available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company. The long term plan may be incorporated into or overlap with the Equity Awards program.

4.4 Equity Awards. During the Employment Term, the Executive shall be eligible to participate in equity awards under the 2012 Bankwell Financial Group, Inc. Stock Plan, as amended, or any successor plan ("**Equity Awards**") as available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company.

4.5 Employee Benefits. During the Employment Term, the Executive shall be entitled to participate in all general employee benefit plans, practices and programs maintained by the Company, as in effect from time to time (collectively, "**Employee Benefit Plans**"), on a basis which is no less favorable than is provided to other similarly situated executives of the Company, to the extent consistent with applicable law and the terms of the applicable Employee Benefit Plans. The Company reserves the right to amend or cancel any Employee Benefit Plan at any time in its sole discretion, subject to the terms of such Employee Benefit Plan and applicable law.

4.6 Business Expenses. Upon submission of appropriate invoices or vouchers, the Company shall pay or reimburse the Executive for all reasonable expenses incurred by him in the performance of his duties under this Agreement in furthering the business, and in keeping with the policies, of the Company.

4.7 Vacation. The Executive is entitled to paid time-off ("**PTO**") as outlined in the Company's personnel policy.

4.8 Insurance Policies, Key Man/BOLI Insurance. The Executive shall permit the Company to insure his life under a policy or policies of life insurance issued by an insurance company or companies selected by the Company, and to name the Company as sole or primary beneficiary thereunder. The Executive agrees to submit to any physical examinations which may be reasonably required in connection with such policies.

In accordance with HIPAA, all information obtained in connection with the above-referenced insurance will be regarded as confidential and subject to applicable privacy laws.

4.9 Clawback Provisions. Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

4.10 Required Regulatory Provisions. Notwithstanding anything herein contained to the contrary, any payments to the Executive by the Company, whether pursuant to this Agreement or

otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359.

4.11 Standard Deductions. All payments made under this Agreement shall be subject to any and all applicable taxes and withholdings and to the Company's standard payroll practices.

5. Termination of Employment. The Employment Term and the Executive's employment hereunder may be terminated by the Company at any time and for any reason. The Executive may resign his employment at any time subject to the terms hereof. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this **Section 5** and shall have no further rights to any compensation or any other benefits from the Company, the Bank or any of their affiliates.

5.1 Non-Extension of the Term, Termination Without Cause or Resignation for Good Reason.

(a) The Executive's employment hereunder may be terminated upon the expiration of the Employment Term without extension by the Company in accordance with **Section 1** or terminated by the Company at any time without Cause (as defined below) or by the Employee's resignation for Good Reason (as defined below). If the Executive's employment is so terminated, the Executive shall be entitled to receive:

- (i) Any unpaid Base Salary and Annual Incentive earned prior to the Termination Date (as defined in **Section 5.7** below) in accordance with the Company's customary payroll procedures;
- (ii) A payment equal to 1x (one times) the annual Base Salary;
- (iii) A payment equal to the product of (i) the target annual Incentive that the Executive could have earned under any incentive compensation or incentive plan or program (the "Target Incentive") for the full calendar year in which the Date of Termination occurs and (ii) a fraction, the numerator of which is the number of days the Executive was employed by the Company during the year of termination and the denominator of which is the number of days in such year. This amount shall be paid no later than March 15th of the year following the year in which the Termination Date occurs;
- (iv) If the Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), the Company shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on or before the fifteenth (15th) day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of: (i) the expiration of the twelve (12) month period beginning on the Termination Date (the "Severance Period"); (ii)

the date the Executive is no longer eligible to receive COBRA continuation coverage; and (iii) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer;

- (v) The treatment of any outstanding equity awards shall be determined in accordance with the terms of the relevant plan and the applicable award agreements; and
- (vi) Reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Company's expense reimbursement policy.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the "**Accrued Amounts**".

5.2 Termination for Cause or Resignation Without Good Reason.

(a) The Executive's employment hereunder may be terminated during the Employment Term by the Company for Cause or by the Executive without Good Reason.

(b) For purposes of this Agreement, "**Cause**" shall mean:

- (i) The Executive's conviction of any crime involving fraud, embezzlement, theft or dishonesty, moral turpitude or any similar issue that in the reasonable opinion of the Board of Directors of the Company would materially and negatively impact the reputation of the Company, the Bank or any of their affiliates or the Executive's ability to perform his duties hereunder;
- (ii) Serious willful misconduct by the Executive, including a material violation of the Company's Code of Conduct or the Executive's material personal dishonesty in connection with the business or customers of the Company or the material breach of fiduciary duty to the Company, the Bank or their customers for personal profit;
- (iii) Any material breach by the Executive of this Agreement;
- (iv) Any willful failure by the Executive to follow a reasonable and lawful directive of the Company as described in **Sections 2.1 and 2.2** above, other than any failure resulting from the Executive's incapacity due to physical or mental injury or illness;
- (v) Any willful failure to keep confidential information of the Company, Bank or their affiliates confidential in violation of the terms of this Agreement;
- (vi) The Executive's arrest for any crime involving fraud, embezzlement, theft or dishonesty that in the reasonable opinion of a majority of the full membership of the Board of Directors of the Company excluding the Executive which, as direct result of such arrest, has caused a material negative impact on the

reputation of the Company or the Bank or prevents the Executive from substantially performing his duties hereunder; or

- (vii) If the regulatory authorities of the Company or the Bank issue an order removing the Executive from his positions at the Company or the Bank, or if such regulatory authorities inform the Board of Directors that the continuation of the Executive in his officer positions at the Company or the Bank would constitute an unsafe and unsound banking practice.

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company and the Bank. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the Company or either of the Bank or based upon the written advice of counsel for the Company or the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company and the Bank. The Executive's termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of the majority of the Board of Directors of the Company called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board of Directors) finding that, in the good faith opinion of the Board of Directors, the Executive is guilty of any of the conduct described above, and specifying the particulars thereof in detail. To the extent that the Board of Directors wishes to terminate the Executive for Cause and the action or actions giving rise to Cause may be cured by the Executive, the Board of Directors will provide the Executive a thirty (30) day period within which he may cure such action or actions.

In the event that the Executive is terminated for Cause based on **Section 5.2(b)(i) or (vi)** above and, after the case is fully adjudicated (including all appeals), the Executive is subsequently found innocent of these charges on the merits of the case by any court of competent jurisdiction or the appropriate administrative agency, then the Executive will be entitled to receive at that time the amounts payable due to a termination without Cause. Such amounts will be paid no later than the end of the calendar year in which the Executive is fully adjudicated to be innocent of the charges.

(c) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive's written consent:

- (i) a reduction in the Executive's Base Salary;
- (ii) a material reduction in the Executive's target annual incentive opportunity under any annual incentive compensation or incentive plan or program;
- (iii) any breach by the Company of any material provision of this Agreement;
- (iv) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform this Agreement in the same manner

and to the same extent that the Company would be required to perform if no succession had taken place, except where such assumption occurs by operation of law;

- (v) a material, adverse change in the Executive's title, authority, duties or responsibilities (other than a temporary change while the Executive is physically or mentally incapacitated or as required by applicable law); or
- (vi) relocation of Executive's principal place of business more than 50 miles from the Company's executive office currently located in New Canaan, Connecticut, without Executive's agreement.

The Executive cannot terminate his employment for Good Reason unless he has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within thirty (30) days of Executive's knowledge of the initial existence of such grounds and the Company has had thirty (30) days from the date on which such notice is provided to cure such circumstances. If the Company remedies the condition within such thirty (30) day cure period, then no Good Reason shall be deemed to exist with respect to such condition. If the Company does not remedy the condition within such thirty (30) day cure period, then the Executive may deliver a notice of termination for Good Reason at any time within sixty (60) days following the expiration of such cure period. If the Executive does not terminate his employment for Good Reason within sixty (60) days following the expiration of the cure period, then the Executive will be deemed to have waived his right to terminate for Good Reason with respect to such grounds.

5.3 Without Cause or for Good Reason. The Employment Term and the Executive's employment hereunder may be terminated by the Executive by resignation for Good Reason or by the Company without Cause. In the event of such termination (unless Section 5.5 below is applicable), the Executive shall be entitled to receive the amounts described in Section 5.1(a)(i)-(vi), subject to the Executive's compliance with Section 6, Section 7 and Section 8 of this Agreement.

5.4 Death or Disability.

(a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Employment Term, and the Company may terminate the Executive's employment on account of the Executive's Disability.

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the following:

- (i) the Accrued Amounts; and
- (ii) the treatment of any outstanding equity awards shall be determined in accordance with the terms of applicable plan and the applicable award agreements.

(c) For purposes of this Agreement, Disability shall mean that the Executive is entitled to receive long-term disability benefits under the Company's long-term disability plan, or if there is no such plan, the Executive's inability, due to physical or mental incapacity after Company compliance with any federal or state leave rights or reasonable accommodation rules, to substantially perform his duties and responsibilities under this Agreement for ninety (90) days out of any three hundred sixty-five (365) day period; provided however, in the event the Company temporarily replaces the Executive, or transfers the Executive's duties or responsibilities to another individual on account of the Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, a Disability, then the Executive shall not be able to resign with Good Reason as a result thereof.

Any question as to the existence of the Executive's Disability as to which the Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Company. If the Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and the Executive shall be final and conclusive for all purposes of this Agreement.

5.5 Change in Control Termination.

(a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated by the Executive for Good Reason or by the Company without Cause (other than on account of the Executive's death or Disability), in each case either concurrently with or within twenty-four (24) months following a Change in Control, the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6, Section 7 and Section 8** of this Agreement for which the Company assigns significant value in agreeing to this **Section 5.5**, the Executive shall be entitled to receive the following:

- (i) a lump sum payment equal to two (2) times the sum of the Executive's Base Salary and Target Incentive for the year in which the Termination Date occurs, which shall be paid within thirty (30) business days following the expiration of the Release Execution Period;
- (ii) a payment equal to the product of (i) the Target Incentive for the full calendar year in which the Date of Termination occurs and (ii) a fraction, the numerator of which is the number of days the Executive was employed by the Company during the year of termination and the denominator of which is the number of days in such year. This amount shall be paid no later than the later of the end of the Release Execution period or March 15th of the year following the year in which the Termination Date occurs;
- (iii) If the Executive timely and properly elects continuation coverage under COBRA, the Company shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on the fifteenth (15th) day of the month immediately following the month in which the

Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of: (A) the two-year anniversary of the termination date; (B) the date the Executive is no longer eligible to receive COBRA continuation coverage; and (C) the date on which the Executive receives or becomes eligible to receive substantially similar coverage from another employer; and

- (iv) The terms of any equity incentive plan or award agreements will determine to what extent, if any, such awards are accelerated for vesting and/or exercise periods.

(b) For purposes of this Agreement, “**Change in Control**” shall mean the occurrence of any of the following:

- (i) one person (or more than one person acting as a group) acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company; provided that, a Change in Control shall not occur if any person (or more than one person acting as a group) owns more than fifty percent (50%) of the total fair market value or total voting power of the Company's stock and acquires additional stock; or
- (ii) a majority of the members of the Board of Directors of the surviving Company following the Change in Control were not Directors of the Company before the Change in Control.

For purposes of this Agreement, the terms "person" and "acting as a group" shall have the meanings specified in the Internal Revenue Code and the regulations thereunder. In no event, however, shall a Change in Control be deemed to have occurred as a result of any acquisition of securities or assets of the Company, the Bank, or a subsidiary of either of them, by the Company, the Bank, or any subsidiary of either of them, or by any employee benefit plan maintained by any of them. The defined circumstances herein are intended to be read to be consistent with the provisions of Section 409A of the Code and the regulations thereunder.

In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this Agreement shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.6 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Employment Term (other than termination pursuant to **Section 5.4(a)** on account of the Executive's death) shall be communicated by a written notice of termination (“**Notice of Termination**”) to the other party hereto in accordance with **Section 24**. The Notice of Termination shall specify:

- (a) The termination provision of this Agreement relied upon;

(b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and

(c) The applicable Termination Date.

5.7 Termination Date. The Executive's Termination Date shall be:

(a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;

(b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that Executive satisfies the definition of Disability;

(c) If the Company terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive (subject to any applicable cure period herein);

(d) If the Company terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination, which shall be no less than thirty (30) days following the date on which the Notice of Termination is delivered; provided that, the Company shall have the option to provide the Executive with a lump sum payment equal to thirty (30) days' Base Salary in lieu of such notice, which shall be paid in a lump sum on the Executive's Termination Date and for all purposes of this Agreement, the Executive's Termination Date shall be the date on which such Notice of Termination is delivered;

(e) If the Executive terminates his employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than thirty (30) days following the date on which the Notice of Termination is delivered; provided that, the Company may waive all or any part of the thirty (30) day notice period for no consideration by giving written notice to the Executive and for all purposes of this Agreement, the Executive's Termination Date shall be the date determined by the Company; and

(f) If the Executive's employment hereunder terminates because the Company provides notice of non-renewal pursuant to **Section 1**, the end of the Employment Term.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a "separation from service" within the meaning of Section 409A.

5.8 Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this **Section 5** shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.9 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive agrees to resign, effective on the Termination Date and shall be deemed to have resigned from all positions that the Executive holds as an officer or member

of the board of directors (or a committee thereof) of the Company, the Bank or any of their affiliates.

5.10 Section 280G.

(a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the "**280G Payments**") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**") and will be subject to the excise tax imposed under Section 4999 of the Code (the "**Excise Tax**"), the Executive shall receive the greatest of the following, whichever gives the Executive the highest net after-tax amount (after taking into account federal, state, local and social security taxes):

- (1) the 280G Payments or
- (2) one dollar less than the amount of the Payments that would subject the Executive to the Excise Tax (the "**Safe Harbor Amount**").

If a reduction in the 280G Payments is necessary so that the 280G Payments equal the Safe Harbor Amount and none of the 280G Payments constitute a deferral of compensation within the meaning of and subject to Section 409A ("**Nonqualified Deferred Compensation**"), then the reduction shall occur in the manner the Executive elects in writing prior to the date of payment. If any 280G Payments constitute Nonqualified Deferred Compensation or if the Executive fails to elect an order, then the 280G Payments to be reduced will be determined in a manner which has the least economic cost to the Executive and, to the extent the economic cost is equivalent, will be reduced in the inverse order of when payment would have been made to you, until the reduction is achieved.

(b) All calculations and determinations under this Section 5.9 shall be made by an independent accounting firm or independent tax counsel appointed by the Company (the "**Tax Counsel**") whose determinations shall be conclusive and binding on the Company and the Executive for all purposes. For purposes of making the calculations and determinations required by this Section 5.9, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Company and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this Section 5.9. The Company shall bear all costs the Tax Counsel may reasonably incur in connection with its services.

(c) The Executive hereby agrees with the Company and any successor thereto to in good faith consider and take steps commonly used to minimize or eliminate any "parachute payments" within the meaning of Section 280G of the Code if requested to do so by the Company or any successor thereto; provided, however, that the foregoing language shall neither require the Executive to take or not take any specific action in furtherance thereof nor contravene, limit or remove any right or privilege provided to the Executive under this Agreement.

6. Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive's reasonable cooperation post termination of employment. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the Board, and subject to the Executive's reasonable availability due to his commitment to a new employer or business, the Executive shall cooperate with the Company in connection with matters arising out of the Executive's service to the Company; provided that, the Company shall make reasonable efforts to minimize disruption of the Executive's other activities. The Company shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation and, to the extent that the Executive is required to spend substantial time on such matters, the Company shall compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date.

7. Confidential Information. The Executive understands and acknowledges that during the Employment Term, he will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the Company, the Bank or their affiliates, or of any other person or entity that has entrusted information to the Company in confidence.

The Executive understands and agrees that Confidential Information includes information developed by him in the course of his employment by the Company as if the Company furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive or later; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever except as required in the performance of the Executive's authorized employment duties to the Company; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Company, except as required in the performance of the Executive's authorized employment duties to the Company and the Bank. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an

authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order.

The Executive understands and acknowledges that his obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information (whether before or after he begins employment by the Company) and shall continue during and after his employment by the Company until such time as such Confidential Information has become public knowledge other than as a result of the Executive's breach of this Agreement or breach by those acting in concert with the Executive or on the Executive's behalf. Nothing herein shall prevent the Executive from disclosing Contract Information to his personal attorneys, accountants and other advisors, as necessary for the performance of their duties and on a confidential basis. Additionally, nothing herein shall prohibit the Executive from retaining, at any time, his personal correspondence and documents related to his own personal benefits, entitlements and obligations.

8. Restrictive Covenants.

8.1 Acknowledgment. The Executive understands that the nature of the Executive's position may give him access to and knowledge of Confidential Information and places him in a position of trust and confidence with the Company. The Executive understands and acknowledges that the intellectual services he provides to the Company are unique, special or extraordinary.

The Executive further understands and acknowledges that the Company's ability to reserve these services for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure by the Executive is likely to result in unfair or unlawful competitive activity.

8.2 Non-competition. Because of the Company's legitimate business interest as described herein and the good and valuable consideration offered to the Executive, during the Employment Term and for the term of six (6) months, beginning on the last day of the Executive's employment with the Company, for any reason or no reason and whether employment is terminated at the option of the Executive or the Company (provided that these restrictions shall NOT apply if Executive's termination occurs because Executive is terminated for CAUSE), the Executive agrees and covenants not to engage in Prohibited Activity within Fairfield or New Haven Counties or any other county in which the Company, the Bank or any of their affiliates maintains as of the Termination Date a branch, loan production office, or mortgage production office and from which the Company does a significant portion of its business. For the purposes of this Agreement, "significant portion of its business" shall mean ten percent (10%) or more of the Company's total interest income for the most recent full twelve-month period preceding termination is attributable to the office(s) in such county (the "**Restricted Area**"). Without otherwise limiting the foregoing, the Restricted Area shall not include New York County (Manhattan), New York. Notwithstanding the foregoing and for the avoidance of doubt, nothing herein shall prevent Executive from engaging in any activity with, or holding any financial interest in, a non-competitive affiliate or division of an entity engaged in a business that may engage in a Prohibited Activity, provided, that none of Executive's activities or financial interests in respect of such non-competitive affiliate or division would be a Prohibited Activity under this Agreement in respect of the entity engaged in a business that competes with Company.

For purposes of this **Section 8.2**:

(a) **“Prohibited Activity”** is activity in which the Executive, directly or indirectly, solely or jointly with any person or persons, as an employee, consultant, or advisor (whether or not engaged in business for profit), or as an individual proprietor, partner, shareholder, director, officer, joint venturer, investor or lender, or in any other capacity: (i) becomes affiliated with any bank or commercial lender headquartered or with branches in the counties in which the Company has branches at the time of employment termination; or (ii) becomes affiliated with a different Community Banking Institution in the Restricted Area;

(b) **“become affiliated”** shall mean, without limitation, engaging, participating, or being involved in any respect in the business of banking (other than as a depositor, borrower or other customer), or furnishing any aid, assistance or service of any kind to any person in connection with the business of the Company, the Bank and any of their affiliates, and shall include without limitation being employed by any Community Banking Institution which has a branch or other place of business in the Restricted Area; and

(c) **“Community Banking Institution”** shall mean a bank with assets equal to or less than five billion dollars.

Nothing herein shall prohibit the Executive from purchasing or owning less than five percent (5%) of the securities or ownership interests of any corporation, partnership or limited liability company, provided that such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company.

Notwithstanding the foregoing, the provisions of this **Section 8.2** shall not apply in the event the Executive is employed by the Company for the entire Employment Term and the Company determines not to renew or extend this Agreement on substantially similar terms.

This **Section 8** does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Executive shall promptly provide written notice of any such order to the Board of Directors.

8.3 Non-solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company, the Bank or any of their Affiliates for the term of one (1) year, beginning on the last day of the Executive's employment with the Company, provided that a general, broad-based solicitation or advertisement not intentionally directed at such employees shall not be deemed to be a violation of this provision.

8.4 Non-solicitation of Clients. The Executive understands and acknowledges that because of the Executive's experience with and relationship to the Company, he will have access to and learn about much or all of the clients, prospective clients and referral sources of the Company, the Bank and their affiliates. The Executive understands and acknowledges that loss of these client

and referral relationships and/or goodwill will cause significant and irreparable harm. The Executive agrees and covenants, for a period of one (1) year, beginning on the last day of the Executive's employment with the Company, not to directly or indirectly (a) solicit (for services that are competitive with the Company, the Bank or its Affiliates) any actual or prospective client or client-referral source who had a direct or indirect business relationship with the Company, the Bank or any of their Affiliates during the period of time in which the Executive was employed by the Company, it being expressly agreed that soliciting a referral from a prospective client or client-referral source is included within this prohibition; or (b) encourage any such client or client-referral source to turn down, terminate or materially reduce a business relationship with the Company, the Bank or any of their affiliates.

8.5 Non-disparagement. The Executive agrees and covenants that he will not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company, the Bank, any of their affiliates or their respective businesses, or any of their employees, officers, and existing and prospective clients, and the Company and the Bank will not, and shall cause their Board of Directors and their senior executives not to, at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Executive, provided, however, nothing herein shall prevent a party from (i) responding publicly to incorrect, disparaging or derogatory public statements to the extent reasonably necessary to correct or refute such public statement or (ii) making any truthful statements in response to legal or bank regulatory examination process, required governmental testimony or filings, or administrative or arbitral proceedings.

8.6 Non-Interference Covenant. For a period of one (1) year, beginning on the last day of the Executive's employment with the Company, the Executive covenants and agrees that he will not, directly or indirectly and for whatever reason, whether for his own account or for the account of any other person, firm, corporation or other organization:

(a) solicit, employ, or otherwise materially interfere with any of the contracts or relationships of the Company, the Bank or any of their affiliates with any employee, officer, director or any independent contractor who is employed by or associated with the Company, the Bank or any of their affiliates as of the Termination Date; or

(b) actively solicit or cause to be solicited, or otherwise actively and materially interfere with, any of the contracts or relationships of the Company, the Bank or any of their affiliates with any independent contractor, customer, client or supplier of the Company, the Bank or any of their affiliates.

8.7 Business Materials and Property Disclosure. All written materials, records, and documents made by the Executive or coming into his possession concerning the business or affairs of the Company, the Bank or any of their affiliates shall be the sole property of the Company. Upon termination of his employment with the Company, the Executive shall deliver the same to the Company and shall retain no copies, including but not limited to copies in paper, electronic, digital or any other format. The Executive shall also return to the Company all other property in his possession owned by the Company upon the termination of his employment. The Executive may retain the Executive's rolodex and similar address books provided that such items only include contact information.

If a court or arbitration panel concludes that the time period of the restriction set forth in this **Section 8** is not enforceable or that a specific geographical scope must be stated herein, then the parties agree that such court or arbitration panel may rewrite the time period of this restriction and/or prescribe a geographical restriction to the maximum enforceable time period and geographical area permitted by law.

9. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by him to the Company are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the Company's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Company.

The Executive further acknowledges that the amount of his compensation reflects, in part, his obligations and the Company's rights under Section 7 and Section 8 of this Agreement; that he has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; and that he will not be subject to undue hardship by reason of his full compliance with the terms and conditions of Section 7 and Section 8 of this Agreement or the Company's enforcement thereof.

10. Remedies. In the event of a breach or threatened breach by the Executive of **Section 7** or **Section 8** of this Agreement, the Executive hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

11. Arbitration. Any dispute whatsoever relating to the Executive's employment by the Company, or any other dispute arising out of this Agreement which cannot be resolved by any party upon thirty (30) days' written notice to the other party, shall be settled by binding arbitration at a mutually agreed location in Fairfield County, Connecticut in accordance with the then prevailing Employment Dispute Resolution Rules of the American Arbitration Association. The judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. It is the purpose of this Agreement, and the intent of the parties hereto, to make the submission to arbitration of any dispute or controversy arising out of this Agreement, as set forth hereinabove, binding upon all parties hereto. This Section 11 shall not in any way restrict the right of the Company to obtain injunctive relief from a court of competent jurisdiction.

All arbitration costs and all other costs, including but not limited to reasonable attorneys' fees, incurred by the Executive in an arbitration proceeding shall be paid by the Company in the event the Executive materially or substantively prevails in such arbitration proceeding. All arbitration costs and all other costs, including but not limited to reasonable attorneys' fees, incurred by the Company in an arbitration proceeding shall be paid by the Executive in the event the Company materially or substantively prevails in such arbitration proceeding. As part of the

judgment rendered by the arbitrators in an arbitration proceeding, the arbitrators shall determine which party (if any) has materially or substantively prevailed in such arbitration proceeding.

12. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed in accordance with the laws of Connecticut without regard to conflicts of law principles. Any action or proceeding by either of the parties to enforce this Agreement that is not covered by the Arbitration provision of Section 11 above shall be brought only in a state or federal court located in the state of Connecticut, county of Fairfield. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

13. Legal Fees. The Company shall pay or reimburse the Executive for all reasonable and documented legal fees incurred by him in connection with the negotiation of this Agreement and any other agreements related to Executive's employment arrangement with the Company, up to \$6,000.

14. Source of Payments: No Duplication of Payments. All payments provided in this Agreement shall be timely paid in cash or check from the general funds of the Company or the Bank. Payments pursuant to this Agreement shall be allocated between the Company and the Bank in proportion to the approximate level of activity and the time expended on such activities by the Executive as determined by the Company and the Bank on a quarterly basis, unless the applicable provision of this Agreement specifies that the payment shall be made by either the Company or the Bank. In no event shall the Executive receive duplicate payments or benefits from the Company and the Bank.

15. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

16. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by Chairperson of the Board of Directors of the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

17. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

18. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

19. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20. Tolling. Should the Executive violate any of the terms of the restrictive covenant obligations articulated herein, the obligation at issue will run from the first date on which the Executive ceases to be in violation of such obligation.

21. Section 409A. This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Notwithstanding any other provision of this Agreement, in the event any payment is to be made during a specified time period following the expiration of the Release Execution Period and the time period for such payment begins in one calendar year and ends in a second calendar year, then such amount shall be payable in the second calendar year. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with his termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and the Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date (the "**Specified Employee Payment Date**"), unless the payment otherwise

satisfies the short-term deferral exemption or another exemption under Section 409A of the Code. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

22. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

23. Indemnification.

(a) In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, the Executive shall be indemnified and held harmless by the Company to the fullest extent permitted by applicable law from and against any liabilities, costs, claims and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees).

(b) During the Employment Term and for a period of six (6) years thereafter, the Company or any successor to the Company shall purchase and maintain, at its own expense, directors' and officers' liability insurance providing coverage to the Executive on terms that are no less favorable than the coverage provided to other directors and senior officers of the Company.

24. Notice. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the Company:

Chairperson
Compensation Committee
Bankwell Financial Group, Inc.
220 Elm Street
New Canaan, CT 06840

If to the Executive:

David Dineen
20 Bayberry Lane
Darien, CT 06820

25. Representations of the Executive. The Executive represents and warrants to the Company that:

25.1 The Executive's acceptance of employment with the Company and the performance of his duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which he is a party or is otherwise bound.

25.2 The Executive's acceptance of employment with the Company and the performance of his duties hereunder will not violate any non-solicitation, non-competition or other similar covenant or agreement of a prior employer.

26. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

27. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

28. Release. No severance payment (or similar payment triggered by termination of employment) shall be due to Executive unless and until his execution of a release of claims in favor of the Company, the Bank and their affiliates and their respective officers and directors in a commercially reasonable form provided by the Company (a "**Release**") and such Release becoming effective as provided therein ("**Release Execution Period**").

29. Acknowledgment of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THE AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THE AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

BANKWELL FINANCIAL GROUP, INC.

By /s/ Christopher Gruseke
Name: Christopher Gruseke
Title: President and Chief Executive Officer

BANKWELL BANK

By /s/ Christopher Gruseke
Name: Christopher Gruseke
Title: President and Chief Executive Officer

EXECUTIVE

Signature: /s/ David Dineen

Print Name: David Dineen

SCHEDULE A

The Executive's involvement in the following outside activities is approved:

Boards

Darien Board of Education

Town of Darien Firefighters Foundation

[Lincoln Center Business Council – based on role at Bank – currently off this board – but good networking opportunity – would like to stay in touch for future]

Memberships

Darien Volunteer Fire Department

The Tiny Miracles Foundation

Darien RTC – on and off

Darien RTM – off based on being elected to Board of Education

Employment Agreement

This Employment Agreement (the "**Agreement**") is made and entered into as of June 1, 2018 effective January 1, 2018 by and among Penko Ivanov (the "**Executive**") on the one side, and Bankwell Financial Group, Inc., a Connecticut bank holding company (the "**Company**") and its wholly-owned bank subsidiary, Bankwell Bank (the "**Bank**") on the other. Unless a distinction is appropriate, the term "Company" in this Agreement shall include the Bank.

WHEREAS Company desires to continue to employ the Executive on the terms and conditions set forth herein; and

WHEREAS, the Executive desires to be employed by the Company on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. Term. The Executive's employment shall be effective as of January 1, 2018 (the "**Effective Date**") and shall continue until December 31, 2019, unless terminated earlier pursuant to Section 5 of this Agreement. The period during which the Executive is employed by the Company hereunder including any renewal term is hereinafter referred to as the "**Employment Term**." The Company shall notify the Executive no later than October 1, 2018 if it wishes to extend the Employment Term for an additional one-year term and on an annual basis thereafter by providing such written notice no later than October 1 in that year. If the Company does not provide such written notice by October 1 in the applicable year, the Employment Term shall expire on December 31, 2019 or the then current December 31 termination date. If the Employment Term is extended as provided herein, the Employment Term shall expire on December 31, 2020 or the then current December 31 termination date, and all of the provisions of this Agreement shall remain in effect during the period of such extension unless otherwise agreed in writing. If the Employment Term is not extended by the Company for an additional one-year term following the initial term expiration date of December 31, 2019 or subsequent anniversary dates, the Executive's employment shall terminate as of December 31st in the then current year, and the Company shall pay to Executive a severance payment as provided in Section 5.1(a) below.

2. Position and Duties.

2.1 Position. The Executive will serve as Executive Vice President, Chief Financial Officer of the Bank, having such power, authority and responsibility and performing such duties as are prescribed by or under the Bylaws of the Company and as are customarily associated with such position as reasonably determined by the Company's Chief Executive Officer. The Executive shall, if requested, also serve as a member of the board of directors of Bank affiliates or as an officer or director of any affiliate of the Company for no additional compensation.

2.2 Reporting/Flexibility. The Executive shall report directly to the Chief Executive Officer of the Company. The Company's Chief Executive Officer may, during the Employment Term below, alter Executive's job, position and/or reporting responsibilities as he deems appropriate to the effective management of the Company.

2.3 Effort and Exclusivity. The Executive shall devote substantially all of his business time and attention (other than during weekends, holidays, vacation periods, and periods of illness or leaves of absence) to the performance of the Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which could conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Chairperson of the Compensation Committee. Notwithstanding the foregoing, the Executive will be permitted to:

(a) with the prior written consent of the Company's Chairperson of the Compensation Committee act or serve as a director, trustee, committee member or principal of any type of business, civic or charitable organization; and

(b) with the prior written consent of the Company's Chairperson of the Compensation Committee purchase or own less than two percent (2%) of the securities or ownership interests of any corporation, partnership or limited liability company; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company; provided further that, the activities described in clauses (a) and (b) do not materially interfere with the performance of the Executive's duties and responsibilities to the Company as provided hereunder.

Attached as Schedule A to the Agreement is a list of pre-approved outside engagements of the Executive.

3. Place of Performance. The principal place of the Executive's employment shall be the Company's executive office currently located in New Canaan, Connecticut; provided that, the Executive will be required to travel on Company business during the Employment Term as his responsibilities require.

4. Compensation.

4.1 Base Salary. The Company shall pay the Executive an annual rate of base salary of \$300,000.00 in periodic installments in accordance with the Company's customary payroll practices, but no less frequently than monthly. The Executive's annual base salary may be increased from time to time by the Compensation Committee, but may not be decreased without the Executive's written consent. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

4.2 Annual Incentive Plan or Program. The Executive shall be eligible to participate in the annual incentive compensation plan or program ("**Annual Incentive**") available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company. The target cash incentive for calendar year 2018 is 30% of Base Salary.

4.3 Long Term Plan. The Executive shall be eligible to participate in any long term incentive compensation plan or program available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company. The long term plan may be incorporated into or overlap with the Equity Awards program.

4.4 Equity Awards. During the Employment Term, the Executive shall be eligible to participate in equity awards under the 2012 Bankwell Financial Group, Inc. Stock Plan, as amended, or any successor plan ("**Equity Awards**") as available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company.

4.5 Employee Benefits. During the Employment Term, the Executive shall be entitled to participate in all general employee benefit plans, practices and programs maintained by the Company, as in effect from time to time (collectively, "**Employee Benefit Plans**"), on a basis which is no less favorable than is provided to other similarly situated executives of the Company, to the extent consistent with applicable law and the terms of the applicable Employee Benefit Plans. The Company reserves the right to amend or cancel any Employee Benefit Plan at any time in its sole discretion, subject to the terms of such Employee Benefit Plan and applicable law.

4.6 Business Expenses. Upon submission of appropriate invoices or vouchers, the Company shall pay or reimburse the Executive for all reasonable expenses incurred by him in the performance of his duties under this Agreement in furthering the business, and in keeping with the policies, of the Company.

4.7 Vacation. The Executive is entitled to paid time-off ("**PTO**") as outlined in the Company's personnel policy.

4.8 Insurance Policies, Key Man/BOLI Insurance. The Executive shall permit the Company to insure his life under a policy or policies of life insurance issued by an insurance company or companies selected by the Company, and to name the Company as sole or primary beneficiary thereunder. The Executive agrees to submit to any physical examinations which may be reasonably required in connection with such policies.

In accordance with HIPAA, all information obtained in connection with the above-referenced insurance will be regarded as confidential and subject to applicable privacy laws.

4.9 Clawback Provisions. Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

4.10 Required Regulatory Provisions. Notwithstanding anything herein contained to

the contrary, any payments to the Executive by the Company, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359.

4.11 Standard Deductions. All payments made under this Agreement shall be subject to any and all applicable taxes and withholdings and to the Company's standard payroll practices.

5. Termination of Employment. The Employment Term and the Executive's employment hereunder may be terminated by the Company at any time and for any reason. The Executive may resign his employment at any time subject to the terms hereof. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this **Section 5** and shall have no further rights to any compensation or any other benefits from the Company, the Bank or any of their affiliates.

5.1 Non-Extension of the Term, Termination Without Cause or Resignation for Good Reason.

(a) The Executive's employment hereunder may be terminated upon the expiration of the Employment Term without extension by the Company in accordance with **Section 1**, or terminated by the Company at any time without Cause (as defined below) or by the Employee's resignation for Good Reason (as defined below). If the Executive's employment is so terminated, the Executive shall be entitled to receive:

- (i) Any unpaid Base Salary and Annual Incentive earned prior to the Termination Date (as defined in Section 5.7 below) in accordance with the Company's customary payroll procedures;
- (ii) A payment equal to 2x (two times) the annual Base Salary;
- (iii) A payment equal to the product of (i) the target annual Incentive that the Executive could have earned under any incentive compensation or incentive plan or program (the "Target Incentive") for the full calendar year in which the Date of Termination occurs and (ii) a fraction, the numerator of which is the number of days the Executive was employed by the Company during the year of termination and the denominator of which is the number of days in such year. This amount shall be paid no later than March 15th of the year following the year in which the Termination Date occurs;
- (iv) If the Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), the Company shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on or before the fifteenth (15th) day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of: (i) the

expiration of the twelve (12) month period beginning on the Termination Date (the "Severance Period"); (ii) the date the Executive is no longer eligible to receive COBRA continuation coverage; and (iii) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer;

- (v) The treatment of any outstanding equity awards shall be determined in accordance with the terms of the relevant plan and the applicable award agreements; and
- (vi) Reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Company's expense reimbursement policy.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the "**Accrued Amounts**".

5.2 Termination for Cause or Resignation Without Good Reason.

- (a) The Executive's employment hereunder may be terminated during the Employment Term by the Company for Cause or by the Executive without Good Reason.
- (b) For purposes of this Agreement, "**Cause**" shall mean:
 - (i) the Executive's conviction of any crime involving fraud, embezzlement, theft or dishonesty, moral turpitude or any similar issue that in the reasonable opinion of the Board of Directors of the Company would materially and negatively impact the reputation of the Company, the Bank or any of their affiliates or the Executive's ability to perform his duties hereunder;
 - (ii) serious willful misconduct by the Executive, including a material violation of the Company's Code of Conduct or the Executive's material personal dishonesty in connection with the business or customers of the Company or the material breach of fiduciary duty to the Company, the Bank or their customers for personal profit;
 - (iii) any material breach by the Executive of this Agreement;
 - (iv) any willful failure by the Executive to follow a reasonable and lawful directive of the Company as described in **Sections 2.1 and 2.2** above, other than any failure resulting from the Executive's incapacity due to physical or mental injury or illness;
 - (v) any willful failure to keep Confidential Information of the Company, Bank or their affiliates confidential in violation of the terms of this Agreement;
 - (vi) the Executive's arrest for any crime involving fraud, embezzlement, theft or dishonesty that in the reasonable opinion of a majority of the full membership of the Board of Directors of the Company excluding the Executive which, as

direct result of such arrest, has caused a material negative impact on the reputation of the Company or the Bank or prevents the Executive from substantially performing his duties hereunder; or

- (vii) if the regulatory authorities of the Company or the Bank issue an order removing the Executive from his positions at the Company or the Bank, or if such regulatory authorities inform the Board of Directors that the continuation of the Executive in his officer positions at the Company or the Bank would constitute an unsafe and unsound banking practice.

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company and the Bank. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the Company or either of the Bank or based upon the written advice of counsel for the Company or the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company and the Bank. The Executive's termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of the majority of the Board of Directors of the Company called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board of Directors) finding that, in the good faith opinion of the Board of Directors, the Executive is guilty of any of the conduct described above, and specifying the particulars thereof in detail. To the extent that the Board of Directors wishes to terminate the Executive for Cause and the action or actions giving rise to Cause may be cured by the Executive, the Board of Directors will provide the Executive a thirty (30) day period within which he may cure such action or actions.

In the event that the Executive is terminated for Cause based on **Section 5.2(b)(i) or (vi)** above and, after the case is fully adjudicated (including all appeals), the Executive is subsequently found innocent of these charges on the merits of the case by any court of competent jurisdiction or the appropriate administrative agency, then the Executive will be entitled to receive at that time the amounts payable due to a termination without Cause. Such amounts will be paid no later than the end of the calendar year in which the Executive is fully adjudicated to be innocent of the charges.

(c) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive's written consent:

- (i) a reduction in the Executive's Base Salary;
- (ii) a material reduction in the Executive's target annual incentive opportunity under any annual incentive compensation or incentive plan or program;
- (iii) any breach by the Company of any material provision of this Agreement;
- (iv) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform this Agreement in the same manner

and to the same extent that the Company would be required to perform if no succession had taken place, except where such assumption occurs by operation of law;

- (v) a material, adverse change in the Executive's title, authority, duties or responsibilities (other than a temporary change while the Executive is physically or mentally incapacitated or as required by applicable law); or
- (vi) relocation of Executive's principal place of business more than 50 miles from the Company's executive office currently located in New Canaan, Connecticut, without Executive's agreement.

The Executive cannot terminate his employment for Good Reason unless he has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within thirty (30) days of Executive's knowledge of the initial existence of such grounds and the Company has had thirty (30) days from the date on which such notice is provided to cure such circumstances. If the Company remedies the condition within such thirty (30) day cure period, then no Good Reason shall be deemed to exist with respect to such condition. If the Company does not remedy the condition within such thirty (30) day cure period, then the Executive may deliver a notice of termination for Good Reason at any time within sixty (60) days following the expiration of such cure period. If the Executive does not terminate his employment for Good Reason within sixty (60) days following the expiration of the cure period, then the Executive will be deemed to have waived his right to terminate for Good Reason with respect to such grounds.

5.3 Without Cause or for Good Reason. The Employment Term and the Executive's employment hereunder may be terminated by the Executive by resignation for Good Reason or by the Company without Cause. In the event of such termination (unless Section 5.5 below is applicable), the Executive shall be entitled to receive the amounts described in **Section 5.1(a)(i)-(vi)**, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement.

5.4 Death or Disability.

(a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Employment Term, and the Company may terminate the Executive's employment on account of the Executive's Disability.

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the following:

- (i) the Accrued Amounts; and
- (ii) the treatment of any outstanding equity awards shall be determined in accordance with the terms of applicable plan and the applicable award agreements.

(c) For purposes of this Agreement, Disability shall mean that the Executive is entitled to receive long-term disability benefits under the Company's long-term disability plan, or if there is no such plan, the Executive's inability, due to physical or mental incapacity, after Company compliance with any federal or state leave rights or reasonable accommodation rules to substantially perform his duties and responsibilities under this Agreement for ninety (90) days out of any three hundred sixty-five (365) day period; provided however, in the event the Company temporarily replaces the Executive, or transfers the Executive's duties or responsibilities to another individual on account of the Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, a Disability, then the Executive shall not be able to resign with Good Reason as a result thereof.

Any question as to the existence of the Executive's Disability as to which the Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Company. If the Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and the Executive shall be final and conclusive for all purposes of this Agreement.

5.5 Change in Control Termination.

(a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated by the Executive for Good Reason or by the Company without Cause (other than on account of the Executive's death or Disability), in each case either concurrently with or within twenty-four (24) months following a Change in Control, the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6, Section 7 and Section 8** of this Agreement for which the Company assigns significant value in agreeing to this **Section 5.5**, the Executive shall be entitled to receive the following:

- (i) a lump sum payment equal to two (2) times the sum of the Executive's Base Salary and Target Incentive for the year in which the Termination Date occurs, which shall be paid within thirty (30) business days following the expiration of the Release Execution Period;
- (ii) a payment equal to the product of (i) the Target Incentive for the full calendar year in which the Date of Termination occurs and (ii) a fraction, the numerator of which is the number of days the Executive was employed by the Company during the year of termination and the denominator of which is the number of days in such year. This amount shall be paid no later than the later of the end of the Release Execution period or March 15th of the year following the year in which the Termination Date occurs;
- (iii) If the Executive timely and properly elects continuation coverage under COBRA, the Company shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive

on the fifteenth (15th) day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of: (A) the two-year anniversary of the termination date; (B) the date the Executive is no longer eligible to receive COBRA continuation coverage; and (C) the date on which the Executive receives or becomes eligible to receive substantially similar coverage from another employer; and

- (iv) The terms of any equity incentive plan or award agreements will determine to what extent, if any, such awards are accelerated for vesting and/or exercise periods.

(b) For purposes of this Agreement, “**Change in Control**” shall mean the occurrence of any of the following:

- (i) one person (or more than one person acting as a group) acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company; provided that, a Change in Control shall not occur if any person (or more than one person acting as a group) owns more than fifty percent (50%) of the total fair market value or total voting power of the Company's stock and acquires additional stock; or
- (ii) a majority of the members of the Board of Directors of the surviving Company following the Change in Control were not Directors of the Company before the Change in Control.

For purposes of this Agreement, the terms "person" and "acting as a group" shall have the meanings specified in the Internal Revenue Code and the regulations thereunder. In no event, however, shall a Change in Control be deemed to have occurred as a result of any acquisition of securities or assets of the Company, the Bank, or a subsidiary of either of them, by the Company, the Bank, or any subsidiary of either of them, or by any employee benefit plan maintained by any of them. The defined circumstances herein are intended to be read to be consistent with the provisions of Section 409A of the Code and the regulations thereunder.

In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this Agreement shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.6 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Employment Term (other than termination pursuant to **Section 5.4(a)** on account of the Executive's death) shall be communicated by a written notice of termination (“**Notice of Termination**”) to the other party hereto in accordance with **Section 24**. The Notice of Termination shall specify:

- (a) The termination provision of this Agreement relied upon;

(b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and

(c) The applicable Termination Date.

5.7 Termination Date. The Executive's Termination Date shall be:

(a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;

(b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that Executive satisfies the definition of Disability;

(c) If the Company terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive (subject to any applicable cure period herein);

(d) If the Company terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination, which shall be no less than thirty (30) days following the date on which the Notice of Termination is delivered; provided that, the Company shall have the option to provide the Executive with a lump sum payment equal to thirty (30) days' Base Salary in lieu of such notice, which shall be paid in a lump sum on the Executive's Termination Date and for all purposes of this Agreement, the Executive's Termination Date shall be the date on which such Notice of Termination is delivered;

(e) If the Executive terminates his employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than thirty (30) days following the date on which the Notice of Termination is delivered; provided that, the Company may waive all or any part of the thirty (30) day notice period for no consideration by giving written notice to the Executive and for all purposes of this Agreement, the Executive's Termination Date shall be the date determined by the Company; and

(f) If the Executive's employment hereunder terminates because the Company provides notice of non-renewal pursuant to Section 1, the end of the Employment Term.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a "separation from service" within the meaning of Section 409A.

5.8 Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this **Section 5** shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.9 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive agrees to resign, effective on the

Termination Date and shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the Board of Directors (or a committee thereof) of the Company, the Bank or any of their affiliates.

5.10 Section 280G.

(a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the "**280G Payments**") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**") and will be subject to the excise tax imposed under Section 4999 of the Code (the "**Excise Tax**"), the Executive shall receive the greatest of the following, whichever gives the Executive the highest net after-tax amount (after taking into account federal, state, local and social security taxes):

- (1) the 280G Payments or
- (2) one dollar less than the amount of the Payments that would subject the Executive to the Excise Tax (the "**Safe Harbor Amount**").

If a reduction in the 280G Payments is necessary so that the 280G Payments equal the Safe Harbor Amount and none of the 280G Payments constitute a deferral of compensation within the meaning of and subject to Section 409A ("**Nonqualified Deferred Compensation**"), then the reduction shall occur in the manner the Executive elects in writing prior to the date of payment. If any 280G Payments constitute Nonqualified Deferred Compensation or if the Executive fails to elect an order, then the 280G Payments to be reduced will be determined in a manner which has the least economic cost to the Executive and, to the extent the economic cost is equivalent, will be reduced in the inverse order of when payment would have been made to you, until the reduction is achieved.

(b) All calculations and determinations under this **Section 5.9** shall be made by an independent accounting firm or independent tax counsel appointed by the Company (the "**Tax Counsel**") whose determinations shall be conclusive and binding on the Company and the Executive for all purposes. For purposes of making the calculations and determinations required by this Section 5.9, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Company and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this Section 5.9. The Company shall bear all costs the Tax Counsel may reasonably incur in connection with its services.

(c) The Executive hereby agrees with the Company and any successor thereto to in good faith consider and take steps commonly used to minimize or eliminate any "parachute payments" within the meaning of Section 280G of the Code if requested to do so by the Company or any successor thereto; provided, however, that the foregoing language shall neither require the Executive to take or not take any specific action in furtherance thereof nor

contravene, limit or remove any right or privilege provided to the Executive under this Agreement.

6. Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive's reasonable cooperation post termination of employment. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the Board and subject to the Executive's reasonable availability due to his commitment to a new employer or business, the Executive shall cooperate with the Company in connection with matters arising out of the Executive's service to the Company; provided that, the Company shall make reasonable efforts to minimize disruption of the Executive's other activities. The Company shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation and, to the extent that the Executive is required to spend substantial time on such matters, the Company shall compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date.

7. Confidential Information. The Executive understands and acknowledges that during the Employment Term, he will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the Company, the Bank or their affiliates, or of any other person or entity that has entrusted information to the Company in confidence.

The Executive understands and agrees that Confidential Information includes information developed by him in the course of his employment by the Company as if the Company furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive or later; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever except as required in the performance of the Executive's authorized employment duties to the Company; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Company, except as required in the performance of the Executive's authorized employment duties to the Company and the Bank. Nothing herein shall be construed to prevent disclosure of Confidential

Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order.

The Executive understands and acknowledges that his obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information (whether before or after he begins employment by the Company) and shall continue during and after his employment by the Company until such time as such Confidential Information has become public knowledge other than as a result of the Executive's breach of this Agreement or breach by those acting in concert with the Executive or on the Executive's behalf. Nothing herein shall prevent the Executive from disclosing Contract Information to his personal attorneys, accountants and other advisors, as necessary for the performance of their duties and on a confidential basis. Additionally, nothing herein shall prohibit the Executive from retaining, at any time, his personal correspondence and documents related to his own personal benefits, entitlements and obligations.

8. Restrictive Covenants.

8.1 Acknowledgment. The Executive understands that the nature of the Executive's position may give him access to and knowledge of Confidential Information and places him in a position of trust and confidence with the Company. The Executive understands and acknowledges that the intellectual services he provides to the Company are unique, special or extraordinary.

The Executive further understands and acknowledges that the Company's ability to reserve these services for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure by the Executive is likely to result in unfair or unlawful competitive activity.

8.2 Non-competition. Because of the Company's legitimate business interest as described herein and the good and valuable consideration offered to the Executive, during the Employment Term and for the term of six (6) months, beginning on the last day of the Executive's employment with the Company, for any reason or no reason and whether employment is terminated at the option of the Executive or the Company (provided that these restrictions shall NOT apply if Executive's termination occurs because Executive is terminated for CAUSE), the Executive agrees and covenants not to engage in Prohibited Activity within Fairfield or New Haven Counties or any other county in which the Company, the Bank or any of their affiliates maintains as of the Termination Date a branch, loan production office, or mortgage production office and from which the Company does a significant portion of its business. For the purposes of this Agreement, "significant portion of its business" shall mean ten percent (10%) or more of the Company's total interest income for the most recent full twelve-month period preceding termination is attributable to the office(s) in such county- (the "**Restricted Area**"). Without otherwise limiting the foregoing, the Restricted Area shall not include New York County (Manhattan), New York. Notwithstanding the foregoing and for the avoidance of doubt, nothing herein shall prevent Executive from engaging in any activity with, or holding any financial interest in, a non-competitive affiliate or division of an entity engaged in a business that may engage in a Prohibited Activity, provided, that none of Executive's activities or financial interests in respect of such non-competitive affiliate or division would be a

Prohibited Activity under this Agreement in respect of the entity engaged in a business that competes with Company.

For purposes of this Section 8.2:

(a) **“Prohibited Activity”** is activity in which the Executive, directly or indirectly, solely or jointly with any person or persons, as an employee, consultant, or advisor (whether or not engaged in business for profit), or as an individual proprietor, partner, shareholder, director, officer, joint venturer, investor or lender, or in any other capacity: (i) becomes affiliated with any bank or commercial lender headquartered or with branches in the counties in which the Company has branches at the time of employment termination; or (ii) becomes affiliated with a different Community Banking Institution in the Restricted Area;

(b) **“become affiliated”** shall mean, without limitation, engaging, participating, or being involved in any respect in the business of banking (other than as a depositor, borrower or other customer), or furnishing any aid, assistance or service of any kind to any person in connection with the business of the Company, the Bank and any of their affiliates, and shall include without limitation being employed by any Community Banking Institution which has a branch or other place of business in the Restricted Area; and

(c) **“Community Banking Institution”** shall mean a bank with assets equal to or less than five billion dollars.

Nothing herein shall prohibit the Executive from purchasing or owning less than five percent (5%) of the securities or ownership interests of any corporation, partnership or limited liability company, provided that such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company.

Notwithstanding the foregoing, the provisions of this **Section 8.2** shall not apply in the event the Executive is employed by the Company for the entire Employment Term and the Company determines not to renew or extend this Agreement on substantially similar terms.

This **Section 8** does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Executive shall promptly provide written notice of any such order to the Board of Directors.

8.3 Non-solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company, the Bank or any of their Affiliates for the term of one (1) year, beginning on the last day of the Executive's employment with the Company, provided that a general, broad-based solicitation or advertisement not intentionally directed at such employees shall not be deemed to be a violation of this provision.

8.4 Non-solicitation of Clients. The Executive understands and acknowledges that

because of the Executive's experience with and relationship to the Company, he will have access to and learn about much or all of the clients, prospective clients and referral sources of the Company, the Bank and their affiliates. The Executive understands and acknowledges that loss of these client and referral relationships and/or goodwill will cause significant and irreparable harm. The Executive agrees and covenants, for a period of one (1) year, beginning on the last day of the Executive's employment with the Company, not to directly or indirectly (a) solicit (for services that are competitive with the Company, the Bank or its Affiliates) any actual or prospective client or client-referral source who had a direct or indirect business relationship with the Company, the Bank or any of their Affiliates during the period of time in which the Executive was employed by the Company, it being expressly agreed that soliciting a referral from a prospective client or client-referral source is included within this prohibition; or (b) encourage any such client or client-referral source to turn down, terminate or materially reduce a business relationship with the Company, the Bank or any of their affiliates.

8.5 Non-disparagement. The Executive agrees and covenants that he will not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company, the Bank, any of their affiliates or their respective businesses, or any of their employees, officers, and existing and prospective clients, and the Company and the Bank will not, and shall cause their Board of Directors and their senior executives not to, at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Executive, provided, however, nothing herein shall prevent a party from (i) responding publicly to incorrect, disparaging or derogatory public statements to the extent reasonably necessary to correct or refute such public statement or (ii) making any truthful statements in response to legal or bank regulatory examination process, required governmental testimony or filings, or administrative or arbitral proceedings.

8.6 Non-Interference Covenant. For a period of one (1) year, beginning on the last day of the Executive's employment with the Company, the Executive covenants and agrees that he will not, directly or indirectly and for whatever reason, whether for his own account or for the account of any other person, firm, corporation or other organization:

(a) solicit, employ, or otherwise materially interfere with any of the contracts or relationships of the Company, the Bank or any of their affiliates with any employee, officer, director or any independent contractor who is employed by or associated with the Company, the Bank or any of their affiliates as of the Termination Date; or

(b) actively solicit or cause to be solicited, or otherwise actively and materially interfere with, any of the contracts or relationships of the Company, the Bank or any of their affiliates with any independent contractor, customer, client or supplier of the Company, the Bank or any of their affiliates.

8.7 Business Materials and Property Disclosure. All written materials, records, and documents made by the Executive or coming into his possession concerning the business or affairs of the Company, the Bank or any of their affiliates shall be the sole property of the Company. Upon termination of his employment with the Company, the Executive shall deliver the same to the Company and shall retain no copies, including but not limited to copies in paper, electronic, digital or any other format. The Executive shall also return to the Company all other

property in his possession owned by the Company upon the termination of his employment. The Executive may retain the Executive's rolodex and similar address books provided that such items only include contact information.

If a court or arbitration panel concludes that the time period of the restriction set forth in this **Section 8** is not enforceable or that a specific geographical scope must be stated herein, then the parties agree that such court or arbitration panel may rewrite the time period of this restriction and/or prescribe a geographical restriction to the maximum enforceable time period and geographical area permitted by law.

9. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by him to the Company are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the Company's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Company.

The Executive further acknowledges that the amount of his compensation reflects, in part, his obligations and the Company's rights under Section 7 and Section 8 of this Agreement; that he has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; and that he will not be subject to undue hardship by reason of his full compliance with the terms and conditions of Section 7 and Section 8 of this Agreement or the Company's enforcement thereof.

10. Remedies. In the event of a breach or threatened breach by the Executive of **Section 7** or **Section 8** of this Agreement, the Executive hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

11. Arbitration. Any dispute whatsoever relating to the Executive's employment by the Company, or any other dispute arising out of this Agreement which cannot be resolved by any party upon thirty (30) days' written notice to the other party, shall be settled by binding arbitration at a mutually agreed location in Fairfield County, Connecticut in accordance with the then prevailing Employment Dispute Resolution Rules of the American Arbitration Association. The judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. It is the purpose of this Agreement, and the intent of the parties hereto, to make the submission to arbitration of any dispute or controversy arising out of this Agreement, as set forth hereinabove, binding upon all parties hereto. This Section 11 shall not in any way restrict the right of the Company to obtain injunctive relief from a court of competent jurisdiction.

All arbitration costs and all other costs, including but not limited to reasonable attorneys' fees, incurred by the Executive in an arbitration proceeding shall be paid by the Company in the event the Executive materially or substantively prevails in such arbitration proceeding. All

arbitration costs and all other costs, including but not limited to reasonable attorneys' fees, incurred by the Company in an arbitration proceeding shall be paid by the Executive in the event the Company materially or substantively prevails in such arbitration proceeding. As part of the judgment rendered by the arbitrators in an arbitration proceeding, the arbitrators shall determine which party (if any) has materially or substantively prevailed in such arbitration proceeding.

12. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed in accordance with the laws of Connecticut without regard to conflicts of law principles. Any action or proceeding by either of the parties to enforce this Agreement that is not covered by the Arbitration provision of Section 11 above shall be brought only in a state or federal court located in the state of Connecticut, county of Fairfield. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

13. Legal Fees. The Company shall pay or reimburse the Executive for all reasonable and documented legal fees incurred by him in connection with the negotiation of this Agreement and any other agreements related to Executive's employment arrangement with the Company, up to \$6,000.

14. Source of Payments: No Duplication of Payments. All payments provided in this Agreement shall be timely paid in cash or check from the general funds of the Company or the Bank. Payments pursuant to this Agreement shall be allocated between the Company and the Bank in proportion to the approximate level of activity and the time expended on such activities by the Executive as determined by the Company and the Bank on a quarterly basis, unless the applicable provision of this Agreement specifies that the payment shall be made by either the Company or the Bank. In no event shall the Executive receive duplicate payments or benefits from the Company and the Bank.

15. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

16. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by Chairperson of the Board of Directors of the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

17. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of

this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

18. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

19. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20. Tolling. Should the Executive violate any of the terms of the restrictive covenant obligations articulated herein, the obligation at issue will run from the first date on which the Executive ceases to be in violation of such obligation.

21. Section 409A. This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Notwithstanding any other provision of this Agreement, in the event any payment is to be made during a specified time period following the expiration of the Release Execution Period and the time period for such payment begins in one calendar year and ends in a second calendar year, then such amount shall be payable in the second calendar year. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with his termination of employment is determined to

constitute "nonqualified deferred compensation" within the meaning of Section 409A and the Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date (the "**Specified Employee Payment Date**"), unless the payment otherwise satisfies the short-term deferral exemption or another exemption under Section 409A of the Code. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

22. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

23. Indemnification.

(a) In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, the Executive shall be indemnified and held harmless by the Company to the fullest extent permitted by applicable law from and against any liabilities, costs, claims and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees).

(b) During the Employment Term and for a period of six (6) years thereafter, the Company or any successor to the Company shall purchase and maintain, at its own expense, directors' and officers' liability insurance providing coverage to the Executive on terms that are no less favorable than the coverage provided to other directors and senior officers of the Company.

24. Notice. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the Company:

Chairperson
Compensation Committee
Bankwell Financial Group, Inc.

220 Elm Street
New Canaan, CT 06840

If to the Executive:

Penko Ivanov
10 Highview Drive
Wilton, Connecticut 06897

25. Representations of the Executive. The Executive represents and warrants to the Company that:

25.1 The Executive's acceptance of employment with the Company and the performance of his duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which he is a party or is otherwise bound.

25.2 The Executive's acceptance of employment with the Company and the performance of his duties hereunder will not violate any non-solicitation, non-competition or other similar covenant or agreement of a prior employer.

26. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

27. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

28. Release. No severance payment (or similar payment triggered by termination of employment) shall be due to Executive unless and until his execution of a release of claims in favor of the Company, the Bank and their affiliates and their respective officers and directors in a commercially reasonable form provided by the Company (a "**Release**") and such Release becoming effective as provided therein ("**Release Execution Period**").

29. Acknowledgment of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THE AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THE AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

BANKWELL FINANCIAL GROUP, INC.

By /s/ Christopher Gruseke
Name: Christopher Gruseke
Title: President and Chief Executive Officer

BANKWELL BANK

By /s/ Christopher Gruseke
Name: Christopher Gruseke
Title: President and Chief Executive Officer

EXECUTIVE

Signature: /s/ Penko Ivanov

Print Name: Penko Ivanov

SCHEDULE A

The Executive's involvement in the following outside activities is approved:

Boards

Memberships

Employment Agreement

This Employment Agreement (the “**Agreement**”) is made and entered into as of June 1, 2018 effective January 1, 2018 by and among Christine Chivily (the “**Executive**”) on the one side, and Bankwell Financial Group, Inc., a Connecticut bank holding company (the “**Company**”) and its wholly-owned bank subsidiary, Bankwell Bank (the “**Bank**”) on the other. Unless a distinction is appropriate, the term “Company” in this Agreement shall include the Bank.

WHEREAS Company desires to continue to employ the Executive on the terms and conditions set forth herein; and

WHEREAS, the Executive desires to be employed by the Company on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. Term. The Executive’s employment shall be effective as of January 1, 2018 (the “**Effective Date**”) and shall continue until December 31, 2019, unless terminated earlier pursuant to Section 5 of this Agreement. The period during which the Executive is employed by the Company hereunder including any renewal term is hereinafter referred to as the “**Employment Term**.” The Company shall notify the Executive no later than October 1, 2018 if it wishes to extend the Employment Term for an additional one-year term and on an annual basis thereafter by providing such written notice no later than October 1 in that year. If the Company does not provide such written notice by October 1 in the applicable year, the Employment Term shall expire on December 31, 2019 or the then current December 31 termination date. If the Employment Term is extended as provided herein, the Employment Term shall expire on December 31, 2020 or the then current December 31 termination date, and all of the provisions of this Agreement shall remain in effect during the period of such extension unless otherwise agreed in writing. If the Employment Term is not extended by the Company for an additional one-year term following the initial term expiration date of December 31, 2019 or subsequent anniversary dates, the Executive’s employment shall terminate as of December 31st in the then current year, and the Company shall pay to Executive a severance payment as provided in Section 5.1(a) below.

2. Position and Duties.

2.1 Position. The Executive will serve as Executive Vice President, Chief Risk Officer and Chief Credit Officer of the Bank, having such power, authority and responsibility and performing such duties as are prescribed by or under the Bylaws of the Company and as are customarily associated with such position as reasonably determined by the Company’s Chief Executive Officer. The Executive shall, if requested, also serve as a member of the board of directors of Bank affiliates or as an officer or director of any affiliate of the Company for no additional compensation.

2.2 Reporting/Flexibility. The Executive shall report directly to the Chief Executive Officer of the Company. The Company's Chief Executive Officer may, during the Employment Term below, alter Executive's job, position, and/or reporting responsibilities as he deems appropriate to the effective management of the Company.

2.3 Effort and Exclusivity. The Executive shall devote substantially all of her business time and attention (other than during weekends, holidays, vacation periods, and periods of illness or leaves of absence) to the performance of the Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which could conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Chairperson of the Compensation Committee. Notwithstanding the foregoing, the Executive will be permitted to:

(a) with the prior written consent of the Company's Chairperson of the Compensation Committee act or serve as a director, trustee, committee member or principal of any type of business, civic or charitable organization; and

(b) with the prior written consent of the Company's Chairperson of the Compensation Committee purchase or own less than two percent (2%) of the securities or ownership interests of any corporation, partnership or limited liability company; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company; provided further that, the activities described in clauses (a) and (b) do not materially interfere with the performance of the Executive's duties and responsibilities to the Company as provided hereunder.

Attached as Schedule A to the Agreement is a list of pre-approved outside engagements of the Executive.

3. Place of Performance. The principal place of the Executive's employment shall be the Company's executive office currently located in New Canaan, Connecticut; provided that, the Executive will be required to travel on Company business during the Employment Term as her responsibilities require.

4. Compensation.

4.1 Base Salary. The Company shall pay the Executive an annual rate of base salary of \$256,000.00 in periodic installments in accordance with the Company's customary payroll practices, but no less frequently than monthly. The Executive's annual base salary may be increased from time to time by the Compensation Committee, but may not be decreased without the Executive's written consent. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

4.2 Annual Incentive Plan or Program. The Executive shall be eligible to participate in the annual incentive compensation plan or program ("**Annual Incentive**") available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company. The target cash incentive for calendar year 2018 is 30% of Base Salary.

4.3 Long Term Plan. The Executive shall be eligible to participate in any long term incentive compensation plan or program available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company. The long term plan may be incorporated into or overlap with the Equity Awards program.

4.4 Equity Awards. During the Employment Term, the Executive shall be eligible to participate in equity awards under the 2012 Bankwell Financial Group, Inc. Stock Plan, as amended, or any successor plan ("**Equity Awards**") as available to other similarly situated executives of the Company, with customized targets and incentives as determined by the Company.

4.5 Employee Benefits. During the Employment Term, the Executive shall be entitled to participate in all general employee benefit plans, practices and programs maintained by the Company, as in effect from time to time (collectively, "**Employee Benefit Plans**"), on a basis which is no less favorable than is provided to other similarly situated executives of the Company, to the extent consistent with applicable law and the terms of the applicable Employee Benefit Plans. The Company reserves the right to amend or cancel any Employee Benefit Plan at any time in its sole discretion, subject to the terms of such Employee Benefit Plan and applicable law.

4.6 Business Expenses. Upon submission of appropriate invoices or vouchers, the Company shall pay or reimburse the Executive for all reasonable expenses incurred by her in the performance of her duties under this Agreement in furthering the business, and in keeping with the policies, of the Company.

4.7 Vacation. The Executive is entitled to paid time-off ("**PTO**") as outlined in the Company's personnel policy.

4.8 Insurance Policies, Key Man/BOLI Insurance. The Executive shall permit the Company to insure her life under a policy or policies of life insurance issued by an insurance company or companies selected by the Company, and to name the Company as sole or primary beneficiary thereunder. The Executive agrees to submit to any physical examinations which may be reasonably required in connection with such policies.

In accordance with HIPAA, all information obtained in connection with the above-referenced insurance will be regarded as confidential and subject to applicable privacy laws.

4.9 Clawback Provisions. Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

4.10 Required Regulatory Provisions. Notwithstanding anything herein contained to the contrary, any payments to the Executive by the Company, whether pursuant to this Agreement or

otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359.

4.11 Standard Deductions. All payments made under this Agreement shall be subject to any and all applicable taxes and withholdings and to the Company's standard payroll practices.

5. Termination of Employment. The Employment Term and the Executive's employment hereunder may be terminated by the Company at any time and for any reason. The Executive may resign her employment at any time subject to the terms hereof. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this **Section 5** and shall have no further rights to any compensation or any other benefits from the Company, the Bank or any of their affiliates.

5.1 Non-Extension of the Term, Termination Without Cause or Resignation for Good Reason.

(a) The Executive's employment hereunder may be terminated upon the expiration of the Employment Term without extension by the Company in accordance with **Section 1** or terminated by the Company at any time without Cause (as defined below) or by the Employee's resignation for Good Reason (as defined below). If the Executive's employment is so terminated, the Executive shall be entitled to receive:

- (i) Any unpaid Base Salary and Annual Incentive earned prior to the Termination Date (as defined in **Section 5.7** below) in accordance with the Company's customary payroll procedures;
- (ii) A payment equal to 2x (two times) the annual Base Salary;
- (iii) A payment equal to the product of (i) the target annual Incentive that the Executive could have earned under any incentive compensation or incentive plan or program (the "Target Incentive") for the full calendar year in which the Date of Termination occurs and (ii) a fraction, the numerator of which is the number of days the Executive was employed by the Company during the year of termination and the denominator of which is the number of days in such year. This amount shall be paid no later than March 15th of the year following the year in which the Termination Date occurs;
- (iv) If the Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), the Company shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for herself and her dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on or before the fifteenth (15th) day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of: (i) the expiration of the twelve (12) month period beginning on the Termination Date (the "Severance Period"); (ii)

the date the Executive is no longer eligible to receive COBRA continuation coverage; and (iii) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer;

- (v) The treatment of any outstanding equity awards shall be determined in accordance with the terms of the relevant plan and the applicable award agreements; and
- (vi) Reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Company's expense reimbursement policy.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the "**Accrued Amounts**".

5.2 Termination for Cause or Resignation Without Good Reason.

(a) The Executive's employment hereunder may be terminated during the Employment Term by the Company for Cause or by the Executive without Good Reason.

(b) For purposes of this Agreement, "**Cause**" shall mean:

- (i) The Executive's conviction of any crime involving fraud, embezzlement, theft or dishonesty, moral turpitude or any similar issue that in the reasonable opinion of the Board of Directors of the Company would materially and negatively impact the reputation of the Company, the Bank or any of their affiliates or the Executive's ability to perform her duties hereunder;
- (ii) Serious willful misconduct by the Executive, including a material violation of the Company's Code of Conduct or the Executive's material personal dishonesty in connection with the business or customers of the Company or the material breach of fiduciary duty to the Company, the Bank or their customers for personal profit;
- (iii) Any material breach by the Executive of this Agreement;
- (iv) Any willful failure by the Executive to follow a reasonable and lawful directive of the Company as described in **Sections 2.1 and 2.2** above, other than any failure resulting from the Executive's incapacity due to physical or mental injury or illness;
- (v) Any willful failure to keep confidential information of the Company, Bank or their affiliates confidential in violation of the terms of this Agreement;
- (vi) The Executive's arrest for any crime involving fraud, embezzlement, theft or dishonesty that in the reasonable opinion of a majority of the full membership of the Board of Directors of the Company excluding the Executive which, as direct result of such arrest, has caused a material negative impact on the

reputation of the Company or the Bank or prevents the Executive from substantially performing her duties hereunder; or

- (vii) If the regulatory authorities of the Company or the Bank issue an order removing the Executive from her positions at the Company or the Bank, or if such regulatory authorities inform the Board of Directors that the continuation of the Executive in her officer positions at the Company or the Bank would constitute an unsafe and unsound banking practice.

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Company and the Bank. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the Company or either of the Bank or based upon the written advice of counsel for the Company or the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company and the Bank. The Executive’s termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of the majority of the Board of Directors of the Company called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board of Directors) finding that, in the good faith opinion of the Board of Directors, the Executive is guilty of any of the conduct described above, and specifying the particulars thereof in detail. To the extent that the Board of Directors wishes to terminate the Executive for Cause and the action or actions giving rise to Cause may be cured by the Executive, the Board of Directors will provide the Executive a thirty (30) day period within which she may cure such action or actions.

In the event that the Executive is terminated for Cause based on **Section 5.2(b)(i) or (vi)** above and, after the case is fully adjudicated (including all appeals), the Executive is subsequently found innocent of these charges on the merits of the case by any court of competent jurisdiction or the appropriate administrative agency, then the Executive will be entitled to receive at that time the amounts payable due to a termination without Cause. Such amounts will be paid no later than the end of the calendar year in which the Executive is fully adjudicated to be innocent of the charges.

(c) For purposes of this Agreement, “**Good Reason**” shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive’s written consent:

- (i) a reduction in the Executive’s Base Salary;
- (ii) a material reduction in the Executive’s target annual incentive opportunity under any annual incentive compensation or incentive plan or program;
- (iii) any breach by the Company of any material provision of this Agreement;
- (iv) the Company’s failure to obtain an agreement from any successor to the Company to assume and agree to perform this Agreement in the same manner

and to the same extent that the Company would be required to perform if no succession had taken place, except where such assumption occurs by operation of law;

- (v) a material, adverse change in the Executive's title, authority, duties or responsibilities (other than a temporary change while the Executive is physically or mentally incapacitated or as required by applicable law); or
- (vi) relocation of Executive's principal place of business more than 50 miles from the Company's executive office currently located in New Canaan, Connecticut, without Executive's agreement.

The Executive cannot terminate her employment for Good Reason unless she has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within thirty (30) days of Executive's knowledge of the initial existence of such grounds and the Company has had thirty (30) days from the date on which such notice is provided to cure such circumstances. If the Company remedies the condition within such thirty (30) day cure period, then no Good Reason shall be deemed to exist with respect to such condition. If the Company does not remedy the condition within such thirty (30) day cure period, then the Executive may deliver a notice of termination for Good Reason at any time within sixty (60) days following the expiration of such cure period. If the Executive does not terminate her employment for Good Reason within sixty (60) days following the expiration of the cure period, then the Executive will be deemed to have waived her right to terminate for Good Reason with respect to such grounds.

5.3 Without Cause or for Good Reason. The Employment Term and the Executive's employment hereunder may be terminated by the Executive by resignation for Good Reason or by the Company without Cause. In the event of such termination (unless Section 5.5 below is applicable), the Executive shall be entitled to receive the amounts described in **Section 5.1(a)(i)-(vi)**, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement.

5.4 Death or Disability.

(a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Employment Term, and the Company may terminate the Executive's employment on account of the Executive's Disability.

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the following:

- (i) the Accrued Amounts; and
- (ii) the treatment of any outstanding equity awards shall be determined in accordance with the terms of applicable plan and the applicable award agreements.

(c) For purposes of this Agreement, Disability shall mean that the Executive is entitled to receive long-term disability benefits under the Company's long-term disability plan, or if there is no such plan, the Executive's inability, due to physical or mental incapacity after Company compliance with any federal or state leave rights or reasonable accommodation rules, to substantially perform her duties and responsibilities under this Agreement for ninety (90) days out of any three hundred sixty-five (365) day period; provided however, in the event the Company temporarily replaces the Executive, or transfers the Executive's duties or responsibilities to another individual on account of the Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, a Disability, then the Executive shall not be able to resign with Good Reason as a result thereof.

Any question as to the existence of the Executive's Disability as to which the Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Company. If the Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and the Executive shall be final and conclusive for all purposes of this Agreement.

5.5 Change in Control Termination.

(a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated by the Executive for Good Reason or by the Company without Cause (other than on account of the Executive's death or Disability), in each case either concurrently with or within twenty-four (24) months following a Change in Control, the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6, Section 7 and Section 8** of this Agreement for which the Company assigns significant value in agreeing to this **Section 5.5**, the Executive shall be entitled to receive the following:

- (i) a lump sum payment equal to two (2) times the sum of the Executive's Base Salary and Target Incentive for the year in which the Termination Date occurs, which shall be paid within thirty (30) business days following the expiration of the Release Execution Period;
- (ii) a payment equal to the product of (i) the Target Incentive for the full calendar year in which the Date of Termination occurs and (ii) a fraction, the numerator of which is the number of days the Executive was employed by the Company during the year of termination and the denominator of which is the number of days in such year. This amount shall be paid no later than the later of the end of the Release Execution period or March 15th of the year following the year in which the Termination Date occurs;
- (iii) If the Executive timely and properly elects continuation coverage under COBRA, the Company shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for herself and her dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on the fifteenth (15th) day of the month immediately following the month in which the

Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of: (A) the two-year anniversary of the termination date; (B) the date the Executive is no longer eligible to receive COBRA continuation coverage; and (C) the date on which the Executive receives or becomes eligible to receive substantially similar coverage from another employer; and

- (iv) The terms of any equity incentive plan or award agreements will determine to what extent, if any, such awards are accelerated for vesting and/or exercise periods.

(b) For purposes of this Agreement, "**Change in Control**" shall mean the occurrence of any of the following:

- (i) one person (or more than one person acting as a group) acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company; provided that, a Change in Control shall not occur if any person (or more than one person acting as a group) owns more than fifty percent (50%) of the total fair market value or total voting power of the Company's stock and acquires additional stock; or
- (ii) a majority of the members of the Board of Directors of the surviving Company following the Change in Control were not Directors of the Company before the Change in Control.

For purposes of this Agreement, the terms "person" and "acting as a group" shall have the meanings specified in the Internal Revenue Code and the regulations thereunder. In no event, however, shall a Change in Control be deemed to have occurred as a result of any acquisition of securities or assets of the Company, the Bank, or a subsidiary of either of them, by the Company, the Bank, or any subsidiary of either of them, or by any employee benefit plan maintained by any of them. The defined circumstances herein are intended to be read to be consistent with the provisions of Section 409A of the Code and the regulations thereunder.

In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this Agreement shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.6 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Employment Term (other than termination pursuant to **Section 5.4(a)** on account of the Executive's death) shall be communicated by a written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with **Section 24**. The Notice of Termination shall specify:

- (a) The termination provision of this Agreement relied upon;

(b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and

(c) The applicable Termination Date.

5.7 Termination Date. The Executive's Termination Date shall be:

(a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;

(b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that Executive satisfies the definition of Disability;

(c) If the Company terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive (subject to any applicable cure period herein);

(d) If the Company terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination, which shall be no less than thirty (30) days following the date on which the Notice of Termination is delivered; provided that, the Company shall have the option to provide the Executive with a lump sum payment equal to thirty (30) days' Base Salary in lieu of such notice, which shall be paid in a lump sum on the Executive's Termination Date and for all purposes of this Agreement, the Executive's Termination Date shall be the date on which such Notice of Termination is delivered;

(e) If the Executive terminates her employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than thirty (30) days following the date on which the Notice of Termination is delivered; provided that, the Company may waive all or any part of the thirty (30) day notice period for no consideration by giving written notice to the Executive and for all purposes of this Agreement, the Executive's Termination Date shall be the date determined by the Company; and

(f) If the Executive's employment hereunder terminates because the Company provides notice of non-renewal pursuant to **Section 1**, the end of the Employment Term.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a "separation from service" within the meaning of Section 409A.

5.8 Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this **Section 5** shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.9 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive agrees to resign, effective on the Termination Date and shall be deemed to have resigned from all positions that the Executive holds as an officer or member

of the board of directors (or a committee thereof) of the Company, the Bank or any of their affiliates.

5.10 Section 280G.

(a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the "**280G Payments**") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**") and will be subject to the excise tax imposed under Section 4999 of the Code (the "**Excise Tax**"), the Executive shall receive the greatest of the following, whichever gives the Executive the highest net after-tax amount (after taking into account federal, state, local and social security taxes):

- (1) the 280G Payments or
- (2) one dollar less than the amount of the Payments that would subject the Executive to the Excise Tax (the "**Safe Harbor Amount**").

If a reduction in the 280G Payments is necessary so that the 280G Payments equal the Safe Harbor Amount and none of the 280G Payments constitute a deferral of compensation within the meaning of and subject to Section 409A ("**Nonqualified Deferred Compensation**"), then the reduction shall occur in the manner the Executive elects in writing prior to the date of payment. If any 280G Payments constitute Nonqualified Deferred Compensation or if the Executive fails to elect an order, then the 280G Payments to be reduced will be determined in a manner which has the least economic cost to the Executive and, to the extent the economic cost is equivalent, will be reduced in the inverse order of when payment would have been made to you, until the reduction is achieved.

(b) All calculations and determinations under this Section 5.9 shall be made by an independent accounting firm or independent tax counsel appointed by the Company (the "**Tax Counsel**") whose determinations shall be conclusive and binding on the Company and the Executive for all purposes. For purposes of making the calculations and determinations required by this Section 5.9, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Company and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this Section 5.9. The Company shall bear all costs the Tax Counsel may reasonably incur in connection with its services.

(c) The Executive hereby agrees with the Company and any successor thereto to in good faith consider and take steps commonly used to minimize or eliminate any "parachute payments" within the meaning of Section 280G of the Code if requested to do so by the Company or any successor thereto; provided, however, that the foregoing language shall neither require the Executive to take or not take any specific action in furtherance thereof nor contravene, limit or remove any right or privilege provided to the Executive under this Agreement.

6. Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive's reasonable cooperation post termination of employment. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the Board, and subject to the Executive's reasonable availability due to her commitment to a new employer or business, the Executive shall cooperate with the Company in connection with matters arising out of the Executive's service to the Company; provided that, the Company shall make reasonable efforts to minimize disruption of the Executive's other activities. The Company shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation and, to the extent that the Executive is required to spend substantial time on such matters, the Company shall compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date.

7. Confidential Information. The Executive understands and acknowledges that during the Employment Term, she will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the Company, the Bank or their affiliates, or of any other person or entity that has entrusted information to the Company in confidence.

The Executive understands and agrees that Confidential Information includes information developed by her in the course of her employment by the Company as if the Company furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive or later; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever except as required in the performance of the Executive's authorized employment duties to the Company; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Company, except as required in the performance of the Executive's authorized employment duties to the Company and the Bank. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an

authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order.

The Executive understands and acknowledges that her obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information (whether before or after she begins employment by the Company) and shall continue during and after her employment by the Company until such time as such Confidential Information has become public knowledge other than as a result of the Executive's breach of this Agreement or breach by those acting in concert with the Executive or on the Executive's behalf. Nothing herein shall prevent the Executive from disclosing Contract Information to her personal attorneys, accountants and other advisors, as necessary for the performance of their duties and on a confidential basis. Additionally, nothing herein shall prohibit the Executive from retaining, at any time, her personal correspondence and documents related to her own personal benefits, entitlements and obligations.

8. Restrictive Covenants.

8.1 Acknowledgment. The Executive understands that the nature of the Executive's position may give her access to and knowledge of Confidential Information and places her in a position of trust and confidence with the Company. The Executive understands and acknowledges that the intellectual services she provides to the Company are unique, special or extraordinary.

The Executive further understands and acknowledges that the Company's ability to reserve these services for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure by the Executive is likely to result in unfair or unlawful competitive activity.

8.2 Non-competition. Because of the Company's legitimate business interest as described herein and the good and valuable consideration offered to the Executive, during the Employment Term and for the term of six (6) months, beginning on the last day of the Executive's employment with the Company, for any reason or no reason and whether employment is terminated at the option of the Executive or the Company (provided that these restrictions shall NOT apply if Executive's termination occurs because Executive is terminated for CAUSE), the Executive agrees and covenants not to engage in Prohibited Activity within Fairfield or New Haven Counties or any other county in which the Company, the Bank or any of their affiliates maintains as of the Termination Date a branch, loan production office, or mortgage production office and from which the Company does a significant portion of its business. For the purposes of this Agreement, "significant portion of its business" shall mean ten percent (10%) or more of the Company's total interest income for the most recent full twelve-month period preceding termination is attributable to the office(s) in such county (the "**Restricted Area**"). Without otherwise limiting the foregoing, the Restricted Area shall not include New York County (Manhattan), New York. Notwithstanding the foregoing and for the avoidance of doubt, nothing herein shall prevent Executive from engaging in any activity with, or holding any financial interest in, a non-competitive affiliate or division of an entity engaged in a business that may engage in a Prohibited Activity, provided, that none of Executive's activities or financial interests in respect of such non-competitive affiliate or division would be a Prohibited Activity under this Agreement in respect of the entity engaged in a business that competes with Company.

For purposes of this **Section 8.2**:

(a) **“Prohibited Activity”** is activity in which the Executive, directly or indirectly, solely or jointly with any person or persons, as an employee, consultant, or advisor (whether or not engaged in business for profit), or as an individual proprietor, partner, shareholder, director, officer, joint venturer, investor or lender, or in any other capacity: (i) becomes affiliated with any bank or commercial lender headquartered or with branches in the counties in which the Company has branches at the time of employment termination; or (ii) becomes affiliated with a different Community Banking Institution in the Restricted Area;

(b) **“become affiliated”** shall mean, without limitation, engaging, participating, or being involved in any respect in the business of banking (other than as a depositor, borrower or other customer), or furnishing any aid, assistance or service of any kind to any person in connection with the business of the Company, the Bank and any of their affiliates, and shall include without limitation being employed by any Community Banking Institution which has a branch or other place of business in the Restricted Area; and

(c) **“Community Banking Institution”** shall mean a bank with assets equal to or less than five billion dollars.

Nothing herein shall prohibit the Executive from purchasing or owning less than five percent (5%) of the securities or ownership interests of any corporation, partnership or limited liability company, provided that such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company.

Notwithstanding the foregoing, the provisions of this **Section 8.2** shall not apply in the event the Executive is employed by the Company for the entire Employment Term and the Company determines not to renew or extend this Agreement on substantially similar terms.

This **Section 8** does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Executive shall promptly provide written notice of any such order to the Board of Directors.

8.3 Non-solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company, the Bank or any of their Affiliates for the term of one (1) year, beginning on the last day of the Executive's employment with the Company, provided that a general, broad-based solicitation or advertisement not intentionally directed at such employees shall not be deemed to be a violation of this provision.

8.4 Non-solicitation of Clients. The Executive understands and acknowledges that because of the Executive's experience with and relationship to the Company, she will have access to and learn about much or all of the clients, prospective clients and referral sources of the Company, the Bank and their affiliates. The Executive understands and acknowledges that loss of

these client and referral relationships and/or goodwill will cause significant and irreparable harm. The Executive agrees and covenants, for a period of one (1) year, beginning on the last day of the Executive's employment with the Company, not to directly or indirectly (a) solicit (for services that are competitive with the Company, the Bank or its Affiliates) any actual or prospective client or client-referral source who had a direct or indirect business relationship with the Company, the Bank or any of their Affiliates during the period of time in which the Executive was employed by the Company, it being expressly agreed that soliciting a referral from a prospective client or client-referral source is included within this prohibition; or (b) encourage any such client or client-referral source to turn down, terminate or materially reduce a business relationship with the Company, the Bank or any of their affiliates.

8.5 Non-disparagement. The Executive agrees and covenants that she will not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company, the Bank, any of their affiliates or their respective businesses, or any of their employees, officers, and existing and prospective clients, and the Company and the Bank will not, and shall cause their Board of Directors and their senior executives not to, at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Executive, provided, however, nothing herein shall prevent a party from (i) responding publicly to incorrect, disparaging or derogatory public statements to the extent reasonably necessary to correct or refute such public statement or (ii) making any truthful statements in response to legal or bank regulatory examination process, required governmental testimony or filings, or administrative or arbitral proceedings.

8.6 Non-Interference Covenant. For a period of one (1) year, beginning on the last day of the Executive's employment with the Company, the Executive covenants and agrees that she will not, directly or indirectly and for whatever reason, whether for her own account or for the account of any other person, firm, corporation or other organization:

(a) solicit, employ, or otherwise materially interfere with any of the contracts or relationships of the Company, the Bank or any of their affiliates with any employee, officer, director or any independent contractor who is employed by or associated with the Company, the Bank or any of their affiliates as of the Termination Date; or

(b) actively solicit or cause to be solicited, or otherwise actively and materially interfere with, any of the contracts or relationships of the Company, the Bank or any of their affiliates with any independent contractor, customer, client or supplier of the Company, the Bank or any of their affiliates.

8.7 Business Materials and Property Disclosure. All written materials, records, and documents made by the Executive or coming into her possession concerning the business or affairs of the Company, the Bank or any of their affiliates shall be the sole property of the Company. Upon termination of her employment with the Company, the Executive shall deliver the same to the Company and shall retain no copies, including but not limited to copies in paper, electronic, digital or any other format. The Executive shall also return to the Company all other property in her possession owned by the Company upon the termination of her employment. The Executive may retain the Executive's rolodex and similar address books provided that such items only include contact information.

If a court or arbitration panel concludes that the time period of the restriction set forth in this **Section 8** is not enforceable or that a specific geographical scope must be stated herein, then the parties agree that such court or arbitration panel may rewrite the time period of this restriction and/or prescribe a geographical restriction to the maximum enforceable time period and geographical area permitted by law.

9. **Acknowledgement.** The Executive acknowledges and agrees that the services to be rendered by her to the Company are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the Company's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Company.

The Executive further acknowledges that the amount of her compensation reflects, in part, her obligations and the Company's rights under Section 7 and Section 8 of this Agreement; that she has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; and that she will not be subject to undue hardship by reason of her full compliance with the terms and conditions of Section 7 and Section 8 of this Agreement or the Company's enforcement thereof.

10. **Remedies.** In the event of a breach or threatened breach by the Executive of **Section 7** or **Section 8** of this Agreement, the Executive hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

11. **Arbitration.** Any dispute whatsoever relating to the Executive's employment by the Company, or any other dispute arising out of this Agreement which cannot be resolved by any party upon thirty (30) days' written notice to the other party, shall be settled by binding arbitration at a mutually agreed location in Fairfield County, Connecticut in accordance with the then prevailing Employment Dispute Resolution Rules of the American Arbitration Association. The judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. It is the purpose of this Agreement, and the intent of the parties hereto, to make the submission to arbitration of any dispute or controversy arising out of this Agreement, as set forth hereinabove, binding upon all parties hereto. This Section 11 shall not in any way restrict the right of the Company to obtain injunctive relief from a court of competent jurisdiction.

All arbitration costs and all other costs, including but not limited to reasonable attorneys' fees, incurred by the Executive in an arbitration proceeding shall be paid by the Company in the event the Executive materially or substantively prevails in such arbitration proceeding. All arbitration costs and all other costs, including but not limited to reasonable attorneys' fees, incurred by the Company in an arbitration proceeding shall be paid by the Executive in the event the Company materially or substantively prevails in such arbitration proceeding. As part of the

judgment rendered by the arbitrators in an arbitration proceeding, the arbitrators shall determine which party (if any) has materially or substantively prevailed in such arbitration proceeding.

12. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed in accordance with the laws of Connecticut without regard to conflicts of law principles. Any action or proceeding by either of the parties to enforce this Agreement that is not covered by the Arbitration provision of Section 11 above shall be brought only in a state or federal court located in the state of Connecticut, county of Fairfield. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

13. Legal Fees. The Company shall pay or reimburse the Executive for all reasonable and documented legal fees incurred by her in connection with the negotiation of this Agreement and any other agreements related to Executive's employment arrangement with the Company, up to \$6,000.

14. Source of Payments: No Duplication of Payments. All payments provided in this Agreement shall be timely paid in cash or check from the general funds of the Company or the Bank. Payments pursuant to this Agreement shall be allocated between the Company and the Bank in proportion to the approximate level of activity and the time expended on such activities by the Executive as determined by the Company and the Bank on a quarterly basis, unless the applicable provision of this Agreement specifies that the payment shall be made by either the Company or the Bank. In no event shall the Executive receive duplicate payments or benefits from the Company and the Bank.

15. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

16. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by Chairperson of the Board of Directors of the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

17. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

18. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

19. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20. Tolling. Should the Executive violate any of the terms of the restrictive covenant obligations articulated herein, the obligation at issue will run from the first date on which the Executive ceases to be in violation of such obligation.

21. Section 409A. This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Notwithstanding any other provision of this Agreement, in the event any payment is to be made during a specified time period following the expiration of the Release Execution Period and the time period for such payment begins in one calendar year and ends in a second calendar year, then such amount shall be payable in the second calendar year. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with her termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and the Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date (the "**Specified Employee Payment Date**"), unless the payment otherwise

satisfies the short-term deferral exemption or another exemption under Section 409A of the Code. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

22. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

23. Indemnification.

(a) In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, the Executive shall be indemnified and held harmless by the Company to the fullest extent permitted by applicable law from and against any liabilities, costs, claims and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees).

(b) During the Employment Term and for a period of six (6) years thereafter, the Company or any successor to the Company shall purchase and maintain, at its own expense, directors' and officers' liability insurance providing coverage to the Executive on terms that are no less favorable than the coverage provided to other directors and senior officers of the Company.

24. Notice. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the Company:

Chairperson
Compensation Committee
Bankwell Financial Group, Inc.
220 Elm Street
New Canaan, CT 06840

If to the Executive:

Christine Chivily
258 Jonathan Road
New Canaan, CT 06840

25. Representations of the Executive. The Executive represents and warrants to the Company that:

25.1 The Executive's acceptance of employment with the Company and the performance of her duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which she is a party or is otherwise bound.

25.2 The Executive's acceptance of employment with the Company and the performance of her duties hereunder will not violate any non-solicitation, non-competition or other similar covenant or agreement of a prior employer.

26. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

27. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

28. Release. No severance payment (or similar payment triggered by termination of employment) shall be due to Executive unless and until her execution of a release of claims in favor of the Company, the Bank and their affiliates and their respective officers and directors in a commercially reasonable form provided by the Company (a "**Release**") and such Release becoming effective as provided therein ("**Release Execution Period**").

29. Acknowledgment of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT SHE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THE AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT SHE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HER CHOICE BEFORE SIGNING THE AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

BANKWELL FINANCIAL GROUP, INC.

By /s/ Christopher Gruseke
Name: Christopher Gruseke
Title: President and Chief Executive Officer

BANKWELL BANK

By /s/ Christopher Gruseke
Name: Christopher Gruseke
Title: President and Chief Executive Officer

EXECUTIVE

Signature: /s/ Christine Chivily

Print Name: Christine Chivily

SCHEDULE A

The Executive's involvement in the following outside activities is approved:

NO AFFILIATIONS

Exhibit 31.1

CERTIFICATIONS

I, Christopher R. Gruseke certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bankwell Financial Group, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 7, 2018

/s/ Christopher R. Gruseke

Christopher R. Gruseke

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Penko Ivanov certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bankwell Financial Group, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 7, 2018

/s/ Penko Ivanov

Penko Ivanov

Executive Vice President and Chief

Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Christopher R. Gruseke and Penko Ivanov hereby jointly certify as follows:

They are the Chief Executive Officer and the Chief Financial Officer, respectively, of Bankwell Financial Group, Inc. (the “Company”);

To the best of their knowledge, the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (the “Report”) complies in all material respects with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

To the best of their knowledge, based upon a review of the Report, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher R. Gruseke

Christopher R. Gruseke

President and Chief Executive Officer

Date: August 7, 2018

/s/ Penko Ivanov

Penko Ivanov

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: August 7, 2018

The foregoing certification is being furnished solely pursuant to 12 U.S.C Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.