Bankwell Financial Group, Inc.
Form S-4
June 26, 2014
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As filed with the Securities and Exchange Commission on June 26, 2014
Registration No. 333-

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

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Bankwell Financial Group, Inc.
(Exact name of Registrant as specified in its charter)

Connecticut	**6022**	**20-8251355**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

220 Elm Street
New Canaan, Connecticut 06840
(203) 652-6300
(Name, address and telephone of principal executive offices)

Ernest J. Verrico, Sr.
Executive Vice President and Chief Financial Officer
Bankwell Financial Group, Inc.
220 Elm Street
New Canaan, Connecticut 06840
(203) 652-6300
(Name, address, including zip code and telephone number, including area code, of agent for service)

with copies to:

William W. Bouton III
Sarah M. Lombard
Hinckley, Allen & Snyder LLP
20 Church Street
Hartford, CT 06103
Telephone: (860) 725-6200
Facsimile: (860) 331-2627

Larry M.F. Spaccasi
Marc P. Levy
Luse Gorman Pomerenk & Schick P.C.
5335 Wisconsin Avenue, NW, Suite 780
Washington, DC 20015
Telephone: (202) 274-2000
Facsimile: (202) 362-2902

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed proxy statement/prospectus.
If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.
If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee (3)
Common Stock, no par value per share	510,305	$ 8,906,046	$ 1,147.10

(1)

- Represents the maximum number of shares of common stock of Bankwell Financial Group, Inc. issuable upon the completion of the merger described herein.

(2)

- Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rule 457(f)(2) and (f)(3) of the Securities Act, the proposed maximum aggregate offering price of the registrant's common stock was computed by (a) multiplying (i) the book value as of March 31, 2014, of the common stock of Quinnipiac Bank & Trust Company to be exchanged or cancelled in connection with the merger, which equaled $8.59, by (ii) 1,215,013, representing the maximum number of shares of Quinnipiac Bank & Trust Company common stock expected to be exchanged or cancelled in connection with the merger, and (b) from the total ($10,436,961) subtracting $1,530,915, representing the estimated amount of cash to be paid to the shareholders of Quinnipiac Bank & Trust Company.

(3)

- Determined in accordance with Section 6(b) of the Securities Act at a rate equal to $128.80 per $1,000,000 of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that the Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. Bankwell Financial Group, Inc. may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

PRELIMINARY — SUBJECT TO COMPLETION — DATED ____________, 2014

[QB&T COMPANY LOGO]

MERGER PROPOSED — YOUR VOTE IS VERY IMPORTANT

____________, 2014

Dear Shareholders:

On March 31, 2014, the boards of directors of Bankwell Financial Group, Inc., or BWFG or Bankwell, and Quinnipiac Bank & Trust Company, or QBT, agreed to a strategic business combination in which QBT will merge with and into Bankwell Bank, a Connecticut chartered bank and wholly owned subsidiary of BWFG, referred to herein as the merger. Bankwell Bank will be the survivor of the merger. Under the terms and conditions of the merger, the shareholders of QBT, as of the record date, will be able to elect to receive either (i) $12.00 in cash, (ii) 0.56 shares of BWFG common stock for each share of QBT common stock, subject to proration provisions described in this proxy statement/prospectus, whereby approximately 75% of QBT shares will be exchanged for stock and approximately 25% for cash, or (iii) a combination of cash and BWFG common stock. The value of the stock consideration will depend on the market price of BWFG common stock on the effective date of the merger.

This proxy statement/prospectus is being sent to you to notify you of and invite you to the special meeting of QBT shareholders being held to consider the Agreement and Plan of Merger, dated as of March 31, 2014, referred to herein as the merger agreement, that QBT has entered into with BWFG. At the special meeting, you will be asked to approve the merger agreement and the transactions contemplated by the merger agreement, including the merger. You will also be asked to approve the adjournment of the special meeting, if necessary, in order to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

The special meeting of QBT shareholders will be held at the [__________________________________], Connecticut ________ on _____________, 2014, at _________ am/p.m., local time.

The merger cannot be completed unless, among other things, the holders of at least two-thirds of the shares of QBT common stock outstanding and entitled to vote approve the merger agreement. The board of directors of QBT unanimously approved the merger agreement and determined that the merger is fair and in the best interests of QBT and its shareholders, and accordingly unanimously recommends that shareholders vote “FOR” approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and “FOR” the approval of the adjournment of the special meeting, if necessary, in order to solicit additional proxies in favor of the approval of the merger agreement and the transactions contemplated thereby, including the merger.

The attached proxy statement/prospectus, which serves as the proxy statement for the special meeting of the shareholders of QBT and as the prospectus for the shares of BWFG common stock to be issued in the merger, includes detailed information about the special meeting, the merger, and the documents related to the merger. We urge you to read this entire document carefully, including the discussion of the risks related to the merger and owning BWFG common stock after the merger in the section titled “Risk Factors” beginning on page 20. You can also obtain information about BWFG from documents that have been filed with the Securities and Exchange Commission that are incorporated in the proxy statement/prospectus by reference.

BWFG’s common stock is traded on the NASDAQ Global Market under the symbol “BWFG.” No established trading market exists for QBT common stock. On ____________, 2014, the last practicable trading day prior to the printing of the attached proxy statement/prospectus, the last sales price of BWFG common stock was $_____ per share.

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Your vote is important. Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card as soon as possible to make sure your shares are represented at the special meeting. If you submit a properly signed proxy card without indicating how you want to vote, your proxy will be counted as a vote "FOR" approval of the merger agreement and "FOR" the approval of the adjournment of the special meeting. The failure to vote by submitting your proxy or attending the special meeting and voting in person will have the same effect as a vote against the approval of the merger agreement.

QBT's board of directors unanimously recommends that shareholders vote "FOR" the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and "FOR" the approval of the adjournment of the special meeting, if necessary, in order to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Sincerely,

Brian P. McArdle
Chairman of the Board of Directors

Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved of the securities to be issued in the merger or determined if the attached proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The shares of BWFG common stock to be issued in the merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by any federal or state governmental agency.

This document is dated ____________, 2014, and is first being mailed to QBT shareholders on or about ____________, 2014.

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[QB&T LOGO]
2704 Dixwell Avenue
Hamden, Connecticut 06518
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON _________________, 2014
A special meeting of shareholders of QBT will be held at the [________________________________], ____________, Connecticut _____ on __________, 2014, at ____a.m./p.m., local time for the following purposes:

1.
- to consider and vote on a proposal to approve the Agreement and Plan of Merger by and between Quinnipiac Bank & Trust Company (QBT) and Bankwell Financial Group, Inc. (BWFG or Bankwell), dated March 31, 2014, a copy of which is attached as Appendix A to the accompanying proxy statement/prospectus, and the transactions contemplated thereby; and

2.
- to consider and vote upon a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to approve the merger agreement.

The proposed merger of QBT with and into Bankwell Bank is more fully described in the attached document, which you should read carefully and in its entirety before voting.

The board of directors of QBT has established the close of business on ______________, 2014, as the record date for the special meeting. Only record holders of QBT common stock as of the close of business on that date will be entitled to notice of and to vote at the special meeting or any adjournment or postponement of that meeting. The affirmative vote of holders of at least two-thirds of the shares of QBT common stock outstanding and entitled to vote at the special meeting is required to approve the merger agreement.

If you hold QBT common stock on the record date, you will have the right to dissent from the merger and obtain payment in cash for the fair value of your QBT shares under Sections 33-855 to 33-872 of the Connecticut Business Corporation Act, or the CBCA, a copy of which is attached as Appendix B to the accompanying proxy statement/prospectus.

It is very important that all shares of QBT common stock be represented at the special meeting. Whether or not you plan to attend the special meeting, please complete, date and sign the enclosed proxy card and return it as soon as possible in the enclosed postage-paid envelope. Voting by proxy will not prevent you from voting in person at the special meeting, but will assure that your vote is counted if you are unable to attend. You may revoke it at any time before the meeting by giving written notice to the Secretary of QBT at the address set forth above, by subsequently filing another proxy or by attending the special meeting and voting in person. Executed proxies with respect to shares of QBT common stock with no instructions indicated on the proxy card will be voted "FOR" the approval of the merger agreement and the transactions contemplated thereby. Not returning a proxy card, or not voting in person at the special meeting or abstaining from voting will have the same effect as voting "AGAINST" the merger agreement.

By order of the Board of Directors,

Mark A. Candido
President and Chief Executive Officer
Hamden, Connecticut
____________, 2014

Your vote is important. Please complete, sign, date and return your proxy card.

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SUMMARY

The following is a summary of information located elsewhere in this document. It does not contain all of the information that is important to you. Before you vote, you should give careful consideration to all of the information contained in this document and the information incorporated into this document by reference to fully understand the merger. See “Where You Can Find More Information” on page __. Each item in this summary refers to the page where that subject is discussed in more detail.

Information about the Companies (Page __)

Bankwell Financial Group, Inc.

BWFG is the bank holding company of Bankwell Bank, which provides a wide range of banking and financial services. Bankwell Bank operates in the greater Fairfield County, Connecticut area through its main banking office located in New Canaan, Connecticut and five other branch offices located throughout Fairfield County, Connecticut and one loan production office.

At March 31, 2014, BWFG had $812.1 million in total consolidated assets. BWFG’s principal executive offices are located at 220 Elm Street, New Canaan, Connecticut 06840, and its telephone number is (203) 652-6300.

Quinnipiac Bank & Trust Company

QBT is a Connecticut chartered bank that provides financial services from its main office in Hamden, Connecticut and QBT has received regulatory approvals from the Federal Deposit Insurance Corporation, or FDIC, and the State of Connecticut Department of Banking, or Banking Department, to open a branch office at 24 Washington Avenue, North Haven, Connecticut, in New Haven County. QBT was chartered as a de novo bank and began operations on March 6, 2008. QBT provides banking solutions for small and medium sized businesses, consumers and professionals in the greater New Haven, Connecticut marketplace.

At March 31, 2014, QBT had $105.9 million in total assets. QBT’s principal executive offices are located at 2704 Dixwell Avenue, Hamden, Connecticut 06518, and its telephone number is (203) 407-0756.

General

QBT will merge with and into Bankwell Bank with Bankwell Bank as the surviving institution, referred to herein as the merger. A copy of the merger agreement is attached as Appendix A to this document and is incorporated by reference.

Consideration to be Received in the Merger (Page __)

The merger agreement provides that QBT shareholders will have the right, with respect to each of their shares of QBT common stock, to elect to receive, subject to proration as described below, either (i) 0.56 shares of BWFG common stock, (ii) $12.00 in cash, without interest, or (iii) a combination of cash and BWFG common stock. You will have the opportunity to elect the form of consideration to be received for your shares, subject to proration and allocation procedures set forth in the merger agreement, which may result in your receiving a portion of the merger consideration in a form other than that which you elected.

The value of the stock consideration is dependent upon the value of BWFG common stock and therefore will fluctuate with the market price of BWFG common stock. Accordingly, any change in the price of BWFG common stock prior to the merger will affect the market value of the stock consideration that QBT shareholders will receive as a result of the merger.

Proration (Page __)

The merger agreement contains allocation and proration provisions that are designed to ensure that 75% of the outstanding shares of common stock of QBT will be exchanged for shares of BWFG common stock and the remaining 25% of the outstanding shares of common stock of QBT will be exchanged for cash. BWFG will issue no more than 510,305 shares of BWFG common stock as merger consideration under the terms of the merger agreement.

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Treatment of Shares if Too Much Stock is Elected. Under the allocation and proration provisions in the merger agreement, if the holders of more than 75% of the outstanding shares of common stock of QBT common stock elect to receive BWFG common stock for such shares, the amount of BWFG common stock that each such shareholder would receive from BWFG will be reduced on a pro rata basis. As a result, these QBT shareholders will receive cash consideration for any QBT shares for which they do not receive BWFG common stock.

Proration if Too Much Cash is Elected. If the holders of more than 25% of the outstanding QBT common stock elect to receive cash for such shares, the amount of cash that each such shareholder would receive from BWFG will be reduced on a pro rata basis. As a result, such shareholders will receive BWFG common stock for any QBT shares for which they do not receive cash.

Election Procedures for Shareholders; Surrender of Stock Certificates (Page __)

No more than forty (40) business days and no less than twenty (20) business days before the expected date of completion of the merger, an election form will be sent to QBT shareholders. You may use the election form to indicate whether your preference is to receive either cash, shares of BWFG common stock, or a combination thereof. The election deadline will be 5:00 p.m., Eastern Time, twenty-five (25) days following the mailing date of the election form. To make an election, a holder of QBT common stock must submit a properly completed election form and return it, together with all stock certificates, so that the form and certificates are actually received by the exchange agent at or before the election deadline in accordance with the instructions on the election form.

You should not send in your stock certificates until you receive the election form or instructions from the exchange agent.

Non-Election Shares (Page __)

QBT shareholders who do not submit a properly completed election form accompanied by stock certificates representing all shares of QBT common stock covered by the election form or an appropriate guarantee of delivery or revoke their election form prior to the election deadline will have their shares of QBT common stock designated as non-election shares. Non-election shares will be converted into the right to receive either cash or shares of BWFG common stock, or a combination of cash and shares of BWFG common stock, depending on the elections made by other QBT shareholders.

Treatment of Stock Options and Warrants (Page __)

Stock Options. Any QBT options properly exercised prior to the effective time will have the right to receive merger consideration on the same terms and subject to the same conditions as all other outstanding QBT common stock. Any QBT common stock received after the election deadline pursuant to the exercise of a QBT option will be considered non-election shares and will be paid in cash.

At the effective time, each option granted under the QBT stock option plan, whether vested or unvested, and which has not been previously exercised or cancelled, will be converted automatically into an option to purchase shares of BWFG common stock. The number of shares of BWFG common stock subject to the new option shall be equal to the product of the number of shares of QBT common stock subject to the option and 0.56, provided any fractional share resulting from the multiplication will be rounded down to the nearest whole share. The exercise price of the new option will be equal to the exercise price of the QBT option divided by 0.56, provided that the exercise price will be rounded up to the nearest whole cent.

Warrants. Any QBT warrants properly exercised prior to the effective time will have the right to receive the cash merger consideration on the same terms as all other outstanding QBT common stock. Any QBT common stock received after the election deadline pursuant to the exercise of a QBT warrant will be considered non-election shares and will be paid in cash.

At the effective time, each warrant issued by QBT that is unexercised and outstanding will be converted into a warrant to purchase 0.56 shares of BWFG common stock for $17.86; provided any fractional share of BWFG common stock resulting from the exercise shall be rounded down to the nearest whole share.

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Accounting Treatment (Page __)
BWFG will account for the merger as a purchase for financial reporting purposes.
Material U.S. Federal Income Tax Consequences of the Merger (Page __)
The merger is intended to qualify for U.S. federal income tax purposes as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, referred to as the Code. Therefore, for U.S. federal income tax purposes, as a result of the merger, a U.S. holder of shares of QBT common stock generally will only recognize gain (but not loss) in an amount not to exceed the cash (if any) received as part of the merger consideration and will recognize gain or loss if such holder received the entirety of the merger consideration in cash or with respect to any cash received in lieu of fractional shares of BWFG common stock.
Tax matters are very complicated. You should consult your tax advisor for a full explanation of the tax consequences of the merger to you.
Recommendation of the Board of Directors of QBT (Page __)
The board of directors of QBT has determined that the merger is fair and in the best interests of QBT and its shareholders. The board of directors of QBT unanimously recommends that QBT shareholders vote “FOR” approval of the merger agreement and the transactions contemplated by the merger agreement and “FOR” the approval of the adjournment of the special meeting.
Opinion of Financial Advisor to QBT (Page __)
In deciding to approve the merger, QBT’s board of directors considered the opinion of Sterne Agee & Leach, Inc., or SAL, or Sterne Agee, QBT’s financial advisor. The opinion concluded that the proposed consideration to be received by the holders of QBT’s common stock in the merger is fair to the shareholders from a financial point of view. This opinion is attached as Appendix C to this document. We encourage you to read this opinion carefully in order to completely understand the assumptions made, matters considered and limitations of the review made by SAL in providing this opinion.
Interests of QBT’s Directors and Executive Officers in the Merger (Page __)
QBT’s executive officers and directors may have financial interests in the merger that are different from, or in addition to, the interests of QBT shareholders. These interests include continued indemnification and insurance coverage by BWFG after the merger for acts or omissions occurring before the merger, change of control payments due certain executive officers in connection with the merger, the continuation of employment with BWFG for some executive officers, the appointment of one (1) member of the current board of directors of QBT to the board of directors of both BWFG and Bankwell Bank and the invitation to all other QBT directors to serve on a paid advisory board of BWFG. These interests also include the accelerated vesting of stock options and payments pursuant to severance agreements, as well as other considerations. QBT’s board of directors was aware of these interests and considered them in its decision to approve the merger agreement.
BWFG and Bankwell Bank Boards of Directors After the Merger (Page __)
BWFG has agreed to appoint one (1) member of the current board of directors of QBT to the board of directors of both BWFG and Bankwell Bank. The remaining members of the current board of directors of QBT will be invited to serve as members of a paid advisory board to be established and maintained by BWFG.
No Solicitation (Page __)
QBT has agreed not to initiate, solicit, encourage or knowingly facilitate the submission of any proposals from third parties regarding acquiring QBT or its businesses. In addition, QBT has agreed not to engage in discussions or negotiations with or provide confidential information to a third party regarding acquiring QBT or its businesses. However, if QBT receives an acquisition proposal from a third party that

did not result from solicitation in violation of its obligations under the merger agreement prior to the date of the special meeting of QBT shareholders, QBT may participate in discussions with, or provide confidential information to, such third party if, among other steps, the QBT board of directors concludes in good faith that the failure to take such actions would result in a violation of its fiduciary duties under applicable law.

Regulatory Approvals (Page __)

Completion of the transactions contemplated by the merger agreement is subject to various regulatory approvals, including approval from the FDIC and the Banking Department. Prior to the date of this proxy statement/prospectus, BWFG and QBT have filed with the FDIC and the Banking Department the required applications necessary to complete the merger. In addition, the completion of the merger is subject to the expiration of certain waiting periods and other requirements. Although BWFG and QBT do not know of any reason why the necessary regulatory approvals would not be obtained in a timely manner, BWFG and QBT cannot be certain when or if they will receive them.

Conditions to the Merger (Page __)

As more fully described in this proxy statement/prospectus and the merger agreement, the completion of the merger depends on a number of mutual conditions being satisfied or waived, including approval of the merger agreement by QBT shareholders and receipt of required regulatory approvals.

Termination of the Merger Agreement (Page __)

The merger agreement specifies a number of situations when BWFG and QBT may terminate the merger agreement. For example, the merger agreement may be terminated at any time prior to the effective time by BWFG's and QBT's mutual consent and by either BWFG or QBT under specified circumstances, including if the merger is not consummated by December 31, 2014, unless the delay is due to a material breach of the merger agreement by the party seeking to terminate the merger agreement.

QBT has agreed to pay to BWFG a termination fee of $600,000 if the merger agreement is terminated under the circumstances specified in "The Merger Agreement — Termination of the Merger Agreement" beginning on page __.

Dissenters' Appraisal Rights (Page __)

Under Connecticut law, holders of QBT common stock have the right to dissent from, and obtain payment of the fair value of their shares of QBT common stock in connection with, the merger. To perfect such dissenters' rights, a QBT shareholder must not vote for the approval of the merger agreement and must strictly comply with all of the procedures required under the Connecticut Business Corporation Act, or CBCA. These procedures are described more fully beginning on page __.

The relevant provisions of the CBCA are included as Appendix B to this proxy statement/prospectus.

Comparison of Stockholders' Rights (Page __)

As a result of the merger, some or all of the holders of QBT common stock will become holders of BWFG common stock. Following the merger, QBT shareholders will have different rights as stockholders of BWFG than as shareholders of QBT due to the different provisions of the governing documents of BWFG and QBT. For additional information regarding the different rights as stockholders of BWFG than as shareholders of QBT, see "Comparison of Stockholders' Rights" beginning on page __.

Special Meeting of Shareholders of QBT (Page __)

QBT will hold its special meeting of shareholders at the [_________________________], __________, Connecticut _____ on ____________, 2014, at_____ a.m./p.m., local time. At the special meeting you will be asked to vote for the approval of the merger agreement and the transactions contemplated by the merger agreement and to approve adjournment of the special meeting, if necessary, to solicit additional proxies in favor of approval of the merger agreement. You can vote at the special meeting of QBT shareholders if you owned QBT common stock at the close of business on ____________, 2014.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger and the special meeting. These questions and answers may not address all questions that may be important to you as a shareholder. To better understand these matters, and for a description of the legal terms governing the merger, you should carefully read this entire proxy statement/prospectus, including the appendices.

Q:

- Why am I receiving this proxy statement/prospectus?

A:

- BWFG and QBT have agreed to the acquisition of QBT by BWFG under the terms of an Agreement and Plan of Merger that is described in this proxy statement/prospectus. A copy of the merger agreement is attached to this proxy statement/prospectus as Appendix A. In order to complete the merger, QBT shareholders must vote to approve the merger agreement. QBT will hold a special meeting of its shareholders to obtain this approval. This proxy statement/prospectus contains important information about the merger, the merger agreement, the special meeting of QBT shareholders, and other related matters, and you should read it carefully. The enclosed voting materials for the special meeting allow you to vote your shares of QBT common stock without attending the special meeting in person.

- We are delivering this proxy statement/prospectus to you as both a proxy statement of QBT and a prospectus of BWFG. It is a proxy statement because the board of directors of QBT is soliciting proxies from its shareholders to vote on the approval of the merger agreement at a special meeting of shareholders, and your proxy will be used at the special meeting or at any adjournment or postponement of the special meeting. It is a prospectus because BWFG will issue BWFG common stock to QBT common shareholders who receive stock consideration in the merger and this prospectus contains information about that common stock.

Q:

- What am I being asked to vote on?

A:

- QBT shareholders are being asked to vote on the following proposals:

•

- to approve the merger agreement between BWFG and QBT; and

•

- to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes to approve the merger agreement at the time of the special meeting.

Q:

- What will happen in the merger?

A:

- In the proposed merger, QBT will merge with and into Bankwell Bank, a wholly owned subsidiary of BWFG, with Bankwell Bank being the surviving bank.

Q:

- What will I receive in the merger?

A:

- The merger agreement provides that QBT shareholders will have the right, with respect to each of their shares of QBT common stock, to elect to receive, subject to proration as described below, either (i) 0.56 shares of BWFG common stock, (ii) $12.00 in cash, without interest, or (iii) a combination of cash and BWFG common stock. You will have the opportunity to elect the form of consideration to be received for your shares, subject to proration and allocation procedures set forth in the merger agreement, which may result in your receiving a portion of the merger consideration in a form other than that which you elected.

Q:

- What are the material U.S. federal income tax consequences of the merger to U.S. holders of shares of QBT common stock?

A:

- The merger is intended to qualify for U.S. federal income tax purposes as a “reorganization” within the meaning of Section 368(a) of the Code. Therefore, for U.S. federal income tax purposes, as a result of the merger, a U.S. holder of shares of QBT common stock generally will only recognize gain (but not loss) in an amount not to exceed the cash (if any) received as part of the merger consideration but will

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recognize gain or loss (1) if such holder received the entirety of its consideration in cash and (2) with respect to any cash received in lieu of fractional shares of BWFG common stock. See “The Merger — Material U.S. Federal Income Tax Consequences of the Merger” beginning on page __.

Q:

- What are the conditions to completion of the merger?

A:

- The obligations of BWFG and QBT to complete the merger are subject to the satisfaction or waiver of certain closing conditions contained in the merger agreement, including, but not limited to, the receipt of required regulatory approvals, legal opinions delivered by tax counsel to BWFG and QBT, respectively, and approval of the merger agreement by QBT shareholders.

Q:

- When will the merger close?

A:

- BWFG and QBT will complete the merger when all of the conditions to completion contained in the merger agreement are satisfied or waived, including obtaining customary regulatory approvals and the approval of the merger agreement by QBT shareholders at the special meeting. While BWFG and QBT expect the merger to be completed in the third quarter of 2014, because fulfillment of some of the conditions to completion of the merger is not entirely within the control of BWFG and QBT, the actual timing cannot be assured.

Q:

- When and where is the special meeting?

A:

- The special meeting of shareholders of QBT will be held at the [_________________________], _________, Connecticut ______ on _________5, 2014, at ____ a.m./p.m., local time.

Q:

- Who can vote?

A:

- You are entitled to vote at the QBT special meeting if you owned QBT common stock at the close of business on ____________, 2014. You will have one vote for each share of QBT common stock that you owned at that time.

Q:

- Does QBT’s board of directors recommend voting in favor of the merger agreement?

A:

- Yes. After careful consideration, QBT’s board of directors unanimously recommends that QBT shareholders vote “FOR” approval of the merger agreement. At the meeting, the members of the board of directors and the executive officers of QBT, and their affiliates, in the aggregate have the power to vote approximately [__]% of the outstanding shares of QBT common stock. QBT’s directors and executive officers each entered into a voting agreement with BWFG in connection with the execution of the merger agreement and therefore will vote their shares in favor of the proposals to be considered at the QBT special meeting.

Q:

- How many votes are needed to approve the merger?

A:

- The affirmative vote of two-thirds of the shares of QBT’s common stock outstanding and entitled to vote at the special meeting is required to approve the merger agreement and the transactions contemplated thereby. Accordingly, the failure of any holder of QBT common stock to vote on this proposal will have the same effect as a vote against the proposal. Each of the executive officers and directors of QBT individually have entered into an agreement with BWFG to vote their shares of QBT common stock in favor of the merger agreement and against any competing proposal. These shareholders held approximately [__]% of QBT’s outstanding common stock as of _________, 2014.

Q:

- What do I need to do now?

A:

- You should first carefully read and consider the information contained and incorporated by reference in this proxy statement/prospectus. After you have decided how to vote your shares, please indicate on the enclosed proxy card how you want to vote, and sign, date and return it as soon as possible in the

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enclosed envelope. If you sign and send in your proxy card and do not indicate how you want to vote, your proxy card will be voted “FOR” approval of the merger agreement. Not returning a proxy card, or not voting in person at the special meeting or abstaining from voting, will have the same effect as voting “AGAINST” the merger agreement.
Q:

- Can I attend the special meeting and vote my shares in person?

A:

- Yes. Although QBT’s board of directors requests that you return the proxy card accompanying this proxy statement/prospectus, all QBT shareholders are invited to attend the special meeting. Shareholders of record on ____________, 2014, can vote in person at the special meeting.

Q:

- Can I change my vote after I have mailed my signed proxy card?

A:

- Yes. You can change your vote at any time after you have submitted your proxy card and before your proxy is voted at the special meeting.

1)

- You may deliver a written notice bearing a date later than the date of your proxy card to the secretary of QBT, stating that you revoke your proxy.

2)

- You may sign and deliver to the secretary of QBT a new proxy card relating to the same shares and bearing a later date.

3)

- You may attend the special meeting and vote in person, although attendance at the special meeting will not, by itself, revoke a proxy.

You should send any notice of revocation or your completed new proxy card, as the case may be, to QBT at the following address:
Quinnipiac Bank & Trust Company
2704 Dixwell Avenue
Hamden, Connecticut 06518
Attn: Mark A. Candido, President & CEO
Q:

- What happens if I sell my shares after the record date but before the special meeting?

A:

- The record date of the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you sell or otherwise transfer your QBT shares after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting (provided that such shares remain outstanding on the date of the special meeting), but you will not have the right to receive the merger consideration to be received by QBT shareholders in the merger. In order to receive the merger consideration, you must hold your shares through completion of the merger.

Q:

- How do I make an election with respect to my shares of QBT common stock?

A:

- Each QBT shareholder will receive an election form, which you should complete and return, along with your QBT stock certificate(s), according to the instructions printed on the form. The election deadline will be 5:00 p.m., Eastern Time, twenty-five (25) days following the mailing date of the election form. A copy of the election form is being mailed under separate cover on or about the date of this proxy statement/prospectus. If you do not send in the election form with your stock certificates by the election deadline, you will be deemed not to have made an election and you may be paid in cash, BWFG common stock or a combination of cash and stock depending on, and after giving effect to, the valid cash elections and stock elections that have been made by other QBT shareholders. See “The Merger — Election Procedures; Surrender of Stock Certificates” beginning on page __.

Q:

- Can I elect to receive cash consideration with respect to a portion of my QBT shares and BWFG common stock with respect to the rest of my QBT shares?

A:

- Yes. A QBT shareholder may specify different elections with respect to different shares that such shareholder holds. For example, a QBT shareholder who owns 100 shares of QBT common stock may make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares.

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Q:

- Are QBT shareholders entitled to seek appraisal or dissenters' rights if they do not vote for the approval of the merger agreement?

A:

- Yes. Under Connecticut law, holders of QBT common stock have the right to dissent from, and obtain payment of the fair value of their shares of QBT common stock in connection with, the merger. To perfect such dissenters' rights, a QBT shareholder must not vote for the approval of the merger agreement and must strictly comply with all of the procedures required under the CBCA. These procedures are summarized under the section entitled "The Merger — Dissenters' Appraisal Rights" beginning on page __. The relevant provisions of the CBCA are included as Appendix B to this proxy statement/prospectus.

Q:

- Should I send in my stock certificates now?

A:

- No. You will receive a form on which you can elect the type of consideration you would prefer to receive as a result of the merger, which will include instructions for surrendering your stock certificates in order to make an effective election. If you do not surrender your stock certificates as part of the election process, then after the merger is complete you will receive separate written instructions for surrendering your shares of QBT common stock in exchange for the merger consideration. In the meantime, you should retain your stock certificates because they are still valid. Please do not send in your stock certificates with your proxy card.

Q:

- Where can I find more information about BWFG?

A:

- You can find more information about BWFG from the various sources described under "Where You Can Find More Information" beginning on page __.

Q:

- Who can I call with questions?

A:

- You may contact BWFG or QBT at the telephone numbers listed under "Where You Can Find More Information" on page __. In each case, please ask to speak with the persons identified in that section.

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CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information included or incorporated by reference in this proxy statement/prospectus, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about the benefits of the merger between BWFG and QBT, including future financial and operating results and performance; statements about BWFG and QBT's plans, objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "will," "should," "may" or words of similar meaning. These forward-looking statements are based upon the current beliefs and expectations of BWFG and QBT's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond the control of BWFG and QBT. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed in these forward-looking statements, for any of the following factors:

- local, regional and national business or economic conditions may differ from those expected;
- BWFG and QBT are subject to credit risk and could incur losses in their loan portfolios;
- BWFG's or QBT's allowances for loan losses may not be adequate to absorb loan losses;
- changes in real estate values could also increase BWFG's and QBT's credit risk;
- BWFG and QBT could experience changes in key management personnel;
- BWFG and QBT may not be able to successfully execute their management teams' strategic initiatives;
- BWFG's and QBT's ability to successfully execute their growth initiatives such as branch openings and acquisitions;
- volatility and direction of market interest rates;
- increased competition within BWFG's and QBT's market area may limit growth and profitability;

- economic, market, operational, liquidity, credit and interest rate risks associated with BWFG's and QBT's business;
- the effects of and changes in trade, monetary and fiscal policies and laws, including the Federal Reserve Board's interest rate policies;
- changes in accounting policies and practices, as may be adopted by regulatory agencies, the Public Accounting Oversight Board or the Financial Accounting Standards Board;
- changes in law and regulatory requirements (including those concerning taxes, banking, securities and insurance); and
- further governmental intervention in the U.S. financial system.

The foregoing factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included in this prospectus. If one or more events related to these or other risks or uncertainties materialize, or if BWFG's or QBT's underlying assumptions prove to be incorrect, actual results may differ materially from what BWFG anticipates. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and neither BWFG nor QBT undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New factors emerge from time to time, and it is not possible for BWFG and QBT to predict which will arise. In addition, BWFG and QBT cannot assess the impact of each factor on their business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF BANKWELL FINANCIAL GROUP, INC.

You should read the selected historical consolidated financial and operating data set forth below in conjunction with the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations — BWFG and The Wilton Bank" as well as the consolidated financial statements and the related notes included elsewhere in this prospectus. The selected historical financial data as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, except for the selected ratios, has been derived from BWFG's audited consolidated financial statements included elsewhere in this prospectus. The selected historical financial data as of December 31, 2011, 2010 and 2009 and for the years ended December 31, 2010 and 2009, except for the selected ratios, has been derived from BWFG's audited consolidated financial statements not included in this registration statement. The selected historical earnings data for the three months ended March 31, 2014 and 2013 and the selected historical financial condition data as of March 31, 2014, has been derived from BWFG's unaudited consolidated financial statements included elsewhere in this registration statement, and BWFG's selected historical financial condition data as of March 31, 2013, has been derived from BWFG's unaudited consolidated financial statements not included in this prospectus. The selected historical financial data for the three months ended March 31, 2014 and 2013 has not been audited but, in the opinion of BWFG's management, contain all adjustments (consisting of only normal or recurring adjustments) necessary to present fairly BWFG's financial position and results of operations for such periods in accordance with U.S. generally accepted accounting principles, or GAAP. BWFG's results of operations are not necessarily indicative of BWFG's results of operations that may be expected for future performance. Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. These reclassifications only changed the reporting categories but did not affect BWFG's results of operations or financial position. The performance, asset quality and capital ratios are unaudited and derived from the financial statements as of and for the periods presented. Average balances have been computed using daily averages.

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	At or For the Three Months Ended March 31,		At or For the Years Ended December 31,				
Dollars in housands, xcept per hare data)	**2014**	**2013**	**2013**	**2012**	**2011**	**2010**	**2009**
ements of ome:							
rest and dend ome	$7,861	$6,676	$28,092	$24,397	$20,587	$16,877	$13,950
rest ense	715	591	2,765	3,192	2,870	3,209	3,651
interest ome	7,146	6,085	25,327	21,205	17,717	13,668	10,299
vision for n losses	211	190	585	1,821	1,049	1,311	1,741
interest ome after vision for n losses	6,935	5,895	24,742	19,384	16,668	12,357	8,558
ninterest ome	769	284	4,722	345	1,134	1,695	896
ninterest ense	6,041	4,598	22,119	17,858	14,601	13,331	10,555
ome (loss) ore income	1,663	1,581	7,345	1,871	3,201	721	(1,101
ome tax ense nefit)	540	569	2,184	657	997	214	(271
income s)	1,123	1,012	5,161	1,214	2,204	507	(830
ferred stock dends and accretion	27	27	111	132	206	261	427
income s) available ommon reholders	$1,096	$985	$5,050	$1,082	$1,998	$246	$(1,257
Share Data:							
ic earnings s) per share	$0.28	$0.31	$1.46	$0.39	$0.72	$0.10	$(0.51
uted nings (loss) share	0.28	0.30	1.44	0.38	0.71	0.09	(0.50
	15.94	14.68	15.58	14.50	13.85	12.81	12.51

	At or For the Three Months Ended March 31,		At or For the Years Ended December 31,				
ok value per re (end of od) (a)							
gible book ue per share d of od) (a) (b)	15.81	14.68	15.46	14.50	13.85	12.81	12.51
res standing d of od) (a)	3,773,158	3,326,813	3,754,253	2,797,200	2,758,200	2,756,200	2,450,349
ighted rage shares standing – c	3,762,080	3,148,899	3,395,779	2,768,000	2,757,000	2,531,000	2,447,000
ighted rage shares standing – ted	3,795,946	3,196,873	3,451,393	2,865,000	2,811,000	2,588,000	2,492,000
formance ios:							
urn on rage ets (c)	0.58 %	0.67 %	0.77 %	0.22 %	0.50 %	0.14 %	(0.29
urn on rage nmon reholders' ity (c)	7.57 %	8.38 %	9.89 %	3.07 %	6.70 %	0.75 %	(4.04
urn on rage reholders' ity (c)	6.39 %	6.83 %	8.17 %	2.40 %	5.03 %	1.33 %	(2.47
erage reholders' ity to rage assets	9.14 %	9.77 %	9.32 %	9.34 %	10.01 %	10.37 %	11.70
interest gin	3.97 %	4.16 %	3.94 %	4.11 %	4.27 %	4.12 %	3.73
ciency o (b)	74.37 %	73.01 %	75.72 %	82.76 %	78.50 %	84.93 %	94.28
et Quality ios:							
al past due ns to total ns (d)	0.88 %	0.31 %	0.73 %	0.75 %	1.01 %	0.79 %	2.68
nperforming ns to total ns (d) (e)	0.32 %	0.20 %	0.16 %	0.75 %	1.01 %	0.79 %	0.96

	At or For the Three Months Ended March 31,		At or For the Years Ended December 31,				
nperforming ets to total ets (e)	0.36 %	0.19 %	0.23 %	0.81 %	0.78 %	0.57 %	0.75
owance for n losses to nperforming ns	409.48 %	710.39 %	835.69 %	200.84 %	171.88 %	239.23 %	177.83
owance for n losses to l ns (d)	1.31 %	1.46 %	1.33 %	1.50 %	1.74 %	1.87 %	1.70
overies) rge-off's to rage ns (d)	(0.01)%	— %	0.03 %	0.07 %	0.02 %	0.09 %	0.18
ements of ancial ndition:							
al assets	$812,055	$629,353	$779,618	$610,016	$477,355	$395,708	$328,160
ss portfolio ns (d)	657,161	558,775	632,012	530,050	369,294	288,425	257,268
estment urities	49,337	45,912	42,413	46,412	94,972	58,152	34,060
posits	679,223	480,021	661,545	462,081	367,115	309,137	244,215
rowings	59,000	87,000	44,000	91,000	58,000	44,000	46,000
al equity	71,106	59,817	69,485	51,534	49,188	40,354	35,695
pital Ratios:							
r 1 capital verage ets (f)							
kwell Bank	7.90 %	— %	7.91 %	— %	— %	— %	—
Bank of v Canaan	— %	7.90 %	— %	7.88 %	8.71 %	8.15 %	8.48
Bank of rfield	— %	8.65 %	— %	8.39 %	11.30 %	13.25 %	16.54
r 1 capital -weighted ets (f)							
kwell Bank	9.49 %	— %	9.49 %	— %	— %	— %	—
Bank of v Canaan	— %	8.97 %	— %	9.09 %	11.07 %	11.86 %	12.24
Bank of rfield	— %	10.74 %	— %	10.80 %	13.66 %	16.41 %	22.46
al capital to -weighted							

	At or For the Three Months Ended March 31,		At or For the Years Ended December 31,				
ets (f)							
kwell Bank	10.74 %	— %	10.74 %	— %	— %	— %	—
Bank of v Canaan	— %	10.23 %	— %	10.34 %	12.33 %	13.12 %	13.50
Bank of rfield	— %	11.99 %	— %	12.05 %	14.91 %	17.10 %	23.26
al reholders' ity to total ets	8.76 %	9.80 %	8.91 %	8.45 %	10.30 %	10.20 %	10.88
gible mon equity o (b)	7.35 %	7.76 %	7.45 %	6.65 %	8.00 %	8.93 %	9.34

(a)

- Excludes preferred stock and unvested restricted stock awards.

(b)

- This measure is not a measure recognized under GAAP and is therefore considered to be a non-GAAP

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financial measure. See “Non-GAAP Financial Measures” for a description of this measure and a reconciliation of this measure to its most directly comparable GAAP measure.

(c)

- Calculated based on net income before preferred stock dividends and net accretion.

(d)

- Calculated using the principal amounts outstanding on loans.

(e)

- Nonperforming assets consist of nonperforming loans and other real estate owned.

(f)

- Represents bank ratios. In September 2013, The Bank of New Canaan and The Bank of Fairfield were merged into Bankwell Bank.

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SELECTED HISTORICAL FINANCIAL DATA OF THE WILTON BANK

You should read the selected historical financial and operating data set forth below in conjunction with the financial statements and the related notes included elsewhere in this prospectus. The selected historical financial data as of and for the years ended December 31, 2012 and 2011, except for the selected ratios, has been derived from The Wilton Bank's audited financial statements included elsewhere in this prospectus. The selected historical financial data for the years ended December 31, 2010 and 2009, except for the selected ratios, has been derived from The Wilton Bank's audited financial statements not included in this prospectus. The selected historical earnings data for the nine months ended September 30, 2013 and 2012 and the selected historical financial condition data as of September 30, 2013, has been derived from The Wilton Bank's unaudited financial statements included elsewhere in this prospectus, and The Wilton Bank's selected historical financial condition data as of September 30, 2012, has been derived from unaudited financial statements not included in this prospectus. The selected historical financial data for the nine months ended September 30, 2013 and 2012 has not been audited but, in the opinion of management, contains all adjustments (consisting of only normal or recurring adjustments) necessary to present fairly The Wilton Bank's financial position and results of operations for such periods in accordance with GAAP. The Wilton Bank's results of operations for the nine months ended September 30, 2013 are not necessarily indicative of future results of operations or performance. The performance, asset quality and capital ratios are unaudited and derived from the financial statements as of and for the periods presented. Average balances have been computed using daily averages.

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(Dollars in thousands, except per share data)	At or For the Nine Months Ended September 30,		At or For the Years Ended December 31,			
	2013	2012	2012	2011	2010	2009
Statements of Income:						
Interest and dividend income	$1,278	$1,497	$1,954	$2,034	$2,619	$4,364
Interest expense	106	133	177	244	397	807
Net interest income	1,172	1,364	1,777	1,790	2,222	3,557
Provision for loan losses	—	—	—	900	560	3,200
Net interest income after provision for loan losses	1,172	1,364	1,777	890	1,662	357
Noninterest income	194	205	278	1,061	273	276
Noninterest expense	2,851	2,705	3,796	3,870	3,842	3,485
Loss before income tax	(1,485)	(1,136)	(1,741)	(1,919)	(1,907)	(2,852)
Income tax expense (benefit)	—	—	—	1,351	(391)	(1,124)
Net loss	$(1,485)	$(1,136)	$(1,741)	$(3,270)	$(1,516)	$(1,728)
Per Share Data:						
Basic loss per share	$(3.98)	$(3.05)	$(4.67)	$(8.77)	$(4.07)	$(4.61)
Diluted loss per share	(3.98)	(3.05)	(4.67)	(8.77)	(4.07)	(4.61)
Book value per share (end of period)	17.55	23.15	21.53	26.20	34.97	38.79
Shares outstanding (end of period)	481,245	481,245	481,245	481,245	481,245	481,245
Weighted average shares outstanding – basic	372,985	372,985	372,985	372,985	372,985	372,985
Weighted average shares	372,985	372,985	372,985	372,985	372,985	375,260

	At or For the Nine Months Ended September 30,		At or For the Years Ended December 31,			
outstanding – diluted						
Annualized Performance Ratios:						
Return on average assets	(2.70)%	(2.09)%	(2.38)%	(4.17)%	(1.66)%	(1.77)%
Return on average common shareholders' equity	(27.02)%	(16.49)%	(19.32)%	(28.85)%	(10.74)%	(10.97)%
Return on average shareholders' equity	(27.02)%	(16.49)%	(19.32)%	(28.85)%	(10.74)%	(10.97)%
Average shareholders' equity to average assets	9.99 %	12.67 %	12.34 %	14.44 %	15.44 %	16.18 %
Net interest margin	2.42 %	2.89 %	2.80 %	2.57 %	2.71 %	4.06 %
Asset Quality Ratios:						
Total past due loans to total loans (a)	23.80 %	23.87 %	22.05 %	31.50 %	39.09 %	12.91 %
Nonperforming loans to total loans	23.78 %	23.67 %	21.60 %	31.37 %	39.09 %	12.91 %
Nonperforming assets to total assets (b)	12.92 %	17.21 %	13.85 %	20.72 %	25.26 %	9.96 %
Allowance for loan losses to nonperforming loans	12.42 %	12.72 %	15.31 %	10.06 %	10.39 %	32.94 %
Allowance for loan losses to total loans	2.95 %	3.01 %	3.31 %	3.16 %	4.06 %	4.25 %
Net charge-off's to average loans	0.73 %	0.43 %	0.50 %	3.52 %	2.29 %	3.05 %
Statements of Financial Condition:						
Total assets	$69,599	$72,249	$76,124	$76,412	$84,285	$95,360
Gross portfolio loans	29,857	37,766	33,656	41,330	50,067	66,199

	At or For the Nine Months Ended September 30,		At or For the Years Ended December 31,			
Investment securities	1,024	1,000	1,032	2,499	8,036	8,067
Deposits	62,694	63,382	67,881	66,448	70,982	80,539
Borrowings	—	—	—	—	—	—
Total equity	6,546	8,636	8,031	9,772	13,044	14,555

(a)

- Calculated using the principal amounts outstanding on loans.

(b)

- Nonperforming assets consist of nonperforming loans and other real estate owned.

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SUMMARY SELECTED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma condensed consolidated financial data combines data from the historical consolidated statements of income of BWFG and the historical statements of income of The Wilton Bank, giving effect to the merger of The Wilton Bank into Bankwell Bank, referred to as the Wilton Merger.

The unaudited pro forma combined condensed statement of income data for the year ended December 31, 2013 combines data from the historical consolidated statement of income of BWFG for the year ended December 31, 2013 and the historical statement of income of The Wilton Bank for the year to date period ended November 5, 2013, the acquisition date, giving effect to the Wilton Merger as if it had been consummated on January 1, 2013. The unaudited pro forma combined condensed statement of income data for the year ended December 31, 2012 combine the historical consolidated statement of income of BWFG for the year ended December 31, 2012 and the historical statement of income of The Wilton Bank for the year ended December 31, 2012, giving effect to the Wilton Merger as if it had been consummated on January 1, 2012.

The unaudited pro forma condensed consolidated financial data give effect to the Wilton Merger using acquisition accounting as required by accounting principles generally accepted in the United States of America.

The unaudited pro forma condensed consolidated financial data are provided for informational purposes only. The pro forma unaudited consolidated financial data presented are not necessarily indicative of the actual results that might have been achieved for the periods or dates indicated, nor are they necessarily indicative of the future results of the combined company following the consummation of the Wilton Merger. The unaudited pro forma financial data are based on estimates and assumptions set forth below.

The pro forma unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto of each of BWFG and The Wilton Bank contained elsewhere in this prospectus.

The unaudited pro forma net earnings (loss) assumptions are qualified by the statements set forth under this caption and should not be considered indicative of the market value of BWFG's common stock or the actual results of operations of BWFG for any period. Such pro forma data may be materially affected by the actual expenses incurred in connection with the Wilton Merger.

The pro forma condensed consolidated financial data do not reflect adjustments for estimated transaction costs or cost savings expected to be realized from the elimination of certain expenses and from synergies expected to be created or the costs to achieve such cost savings or synergies. No assurance can be given that cost savings or synergies will be realized. Income taxes do not reflect the amounts that would have resulted had BWFG and The Wilton Bank filed consolidated income tax returns during the periods presented. Such entries will be recorded as incurred, are non-recurring and are thus not reflected in the calculations of pro forma income (loss).

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December 31, 2013 Pro Forma Statement of Income Data. The following table presents pro forma statement of income information for the year ended December 31, 2013.
Bankwell Financial Group
Pro Forma Income Statement Data
For the Year Ended December 31, 2013

In thousands, except per share data	Bankwell Financial Group	The Wilton Bank	Pro Forma Merger Adjustments	Pro Forma Combined
Interest and dividend income	$ 28,092	$ 1,355	$ 478 (1)	$ 29,925
Interest expense	2,765	119	—	2,884
Net interest income	25,327	1,236	478	27,041
Provision for loan losses	585	—	—	585
Net income after provision for loan losses	24,742	1,236	478	26,456
Noninterest income	3,389 (2)	369	—	3,758
Noninterest expense	21,211 (3)	3,294	89 (4)	24,594
Income (loss) before income tax expense	6,920	(1,689)	389	5,620
Income tax expense (benefit)	2,184	(574) (5)	132 (5)	1,742
Net income (loss)	$ 4,736	$ (1,115)	$ 257	$ 3,878
Preferred stock dividends	(111)	—	—	(111)
Net income (loss) attributable to common shareholders	$ 4,625	$ (1,115)	$ 257	$ 3,767
Weighted average shares outstanding				
Basic	3,395	373		3,395
Diluted	3,451	373		3,451
Net earnings (loss) per common share (pro forma)				
Basic	$ 1.34	$ (2.99)		$ 1.09
Diluted	$ 1.32	$ (2.99)		$ 1.07

(1)

- Adjustment to interest income represents amortization of the accretable portion of the credit mark adjustments for loans. The credit mark is being amortized using the interest method over the projected lives of the related loans. The total credit mark of $2.9 million is comprised of accretable and nonaccretable discounts totaling $1.4 million and $1.5 million, respectively, which was applied to loans totaling $14.5 million with projected lives of 3 to 36 months.

(2)

- Noninterest income excludes a one-time gain of $1.3 million recorded in conjunction with the acquisition, representing the amount that the net assets exceeded the amount paid.

(3)

- Noninterest expense excludes one-time merger and acquisition related expenses of $908 thousand.

(4)

- Adjustment to noninterest expense represents amortization of the core deposit intangible of $499 thousand over 9.3 years based on the double declining balance method of amortization.

(5)

- Income tax expense is based on Bankwell's Federal marginal rate of 34%.

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December 31, 2012 Pro Forma Statement of Income Data. The following table presents pro forma statement of income information for the year ended December 31, 2012.
Bankwell Financial Group
Pro Forma Income Statement Data
For the Year Ended December 31, 2012

In thousands, except per share data	Bankwell Financial Group	The Wilton Bank	Pro Forma Merger Adjustments	Pro Forma Combined
Interest and dividend income	$ 24,397	$ 1,954	$ 574 (1)	$ 26,925
Interest expense	3,192	177	—	3,369
Net interest income	21,205	1,777	574	23,556
Provision for loan losses	1,821	—	—	1,821
Net income after provision for loan losses	19,384	1,777	574	21,735
Noninterest income	345	278	—	623
Noninterest expense	17,858	3,796	107 (2)	21,761
Income (loss) before income tax expense	1,871	(1,741)	467	597
Income tax expense (benefit)	657	(592) (3)	159 (3)	224
Net income (loss)	$ 1,214	$ (1,149)	$ 308	$ 373
Preferred stock dividends	(132)	—	—	(132)
Net income (loss) attributable to common shareholders	$ 1,082	$ (1,149)	$ 308	$ 241
Weighted average shares outstanding				
Basic	2,768	373		2,768
Diluted	2,865	373		2,865
Net earnings (loss) per common share (pro forma)				
Basic	$ 0.39	$ (3.08)		$ 0.09
Diluted	$ 0.38	$ (3.08)		$ 0.08

(1)

- Adjustment to interest income represents amortization of the accretable portion of the credit mark adjustments for loans. The credit mark is being amortized using the interest method over the projected lives of the related loans. The total credit mark of $2.9 million is comprised of accretable and nonaccretable discounts totaling $1.4 million and $1.5 million, respectively, which was applied to loans totaling $14.5 million with projected lives of 3 to 36 months.

(2)

- Adjustment to noninterest expense represents amortization of the core deposit intangible of $499 thousand over 9.3 years based on the double declining balance method of amortization.

(3)

- Income tax expense is based on Bankwell's Federal marginal rate of 34%.

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NON-GAAP FINANCIAL MEASURES

BWFG identifies “efficiency ratio,” “tangible common equity ratio,” “tangible book value per share” and “total revenue” as “non-GAAP financial measures.” In accordance with the SEC’s rules, BWFG classifies a financial measure as being a non-GAAP financial measure if that financial measure excludes or includes amounts, or is subject to adjustments that have the effect of excluding or including amounts, that are included or excluded, as the case may be, in the most directly comparable measure calculated and presented in accordance with GAAP in statements of income, balance sheet or statements of cash flows. Non-GAAP financial measures do not include operating and other statistical measures or ratios or statistical measures calculated using exclusively either financial measures calculated in accordance with GAAP, operating measures or other measures that are not non-GAAP financial measures or both.

The non-GAAP financial measures that are discussed in this prospectus should not be considered in isolation or as a substitute for the most directly comparable or other financial measures calculated in accordance with GAAP. Moreover, the manner in which BWFG calculates the non-GAAP financial measures discussed in this prospectus may differ from that of other companies reporting measures with similar names. You should understand how such other banking organizations calculate their financial measures similar or with names similar to the non-GAAP financial measures BWFG has discussed in this prospectus when comparing such non-GAAP financial measures.

Efficiency ratio is defined as noninterest expenses, net of foreclosed real estate expenses divided by operating revenue, which is equal to net interest income plus noninterest income excluding gains and losses on sales of securities and foreclosed real estate. Also excluded are one-time gains and expenses related to merger and acquisition related activities. In BWFG’s judgment, the adjustments made to operating revenue allow management and investors to better assess performance in relation to core operating revenue by removing the volatility that is associated with certain one-time items and other discrete items that are unrelated to BWFG’s core business.

Tangible common equity is defined as total shareholders’ equity, excluding preferred stock, less goodwill and other intangible assets. BWFG believes that this measure is important to many investors in the marketplace who are interested in changes from period to period in common shareholders’ equity exclusive of changes in intangible assets. Goodwill, an intangible asset that is recorded in a purchase business combination, has the effect of increasing both common equity and assets while not increasing tangible common equity or tangible assets. In connection with the acquisition of The Wilton Bank on November 5, 2013, BWFG recorded a core deposit intangible asset, the balance of which was $454 thousand and $481 thousand, respectively at March 31, 2014 and December 31, 2013. The acquisition transaction resulted in a bargain purchase gain, therefore, no goodwill was recorded.

Tangible common equity to tangible assets is defined as the ratio of tangible common equity divided by total assets less goodwill and other intangible assets. BWFG believes that this measure is important to many investors in the marketplace who are interested in relative changes from period to period in common equity and total assets, each exclusive of changes in intangible assets. BWFG believes that the most directly comparable GAAP financial measure is total shareholders’ equity to total assets.

Tangible book value per share is defined as book value, excluding the impact of goodwill and other intangible assets, if any, divided by common shares outstanding.

Total revenue is defined as the sum of net interest income before provision of loan losses and noninterest income.

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The information provided below presents a reconciliation of each of BWFG's non-GAAP financial measures to the most directly comparable GAAP financial measures.

	Three Months Ended March 31,		Years Ended December 31,		
	2014	**2013**	**2013**	**2012**	**2011**
			(Dollars in thousands, except per share data)		
Efficiency Ratio					
Noninterest expense	$ 6,041	$ 4,598	$ 22,119	$ 17,858	$ 14,601
Less: foreclosed real estate expenses	14	—	7	9	—
Less: merger and acquisition related expenses	141	—	908	—	—
Adjusted noninterest expense (numerator)	$ 5,886	$ 4,598	$ 21,204	$ 17,849	$ 14,601
Net interest income	$ 7,146	$ 6,085	$ 25,327	$ 21,205	$ 17,717
Noninterest income	769	284	4,722	345	1,134
Less: gains (losses) on sales of securities	—	—	648	(18)	250
Less: gains on sale of foreclosed real estate	—	71	63	—	—
Less: gain on bargain purchase	—	—	1,333	—	—
Adjusted operating revenue (denominator)	$ 7,915	$ 6,298	$ 28,005	$ 21,568	$ 18,601
Efficiency ratio	74.37 %	73.01 %	75.72 %	82.76 %	78.50 %
Tangible Common Equity and Tangible Common Equity/Tangible Assets					
Total shareholders' equity	$ 71,106	$ 59,817	$ 69,485	$ 51,534	$ 49,188
	10,980	10,980	10,980	10,980	10,980

	Three Months Ended March 31,		Years Ended December 31,		
Less: preferred stock					
Common shareholders' equity	60,126	48,837	58,505	40,554	38,208
Less: Intangible assets	454	—	481	—	—
Tangible common shareholders' equity	$ 59,672	$ 48,837	$ 58,024	$ 40,554	$ 38,208
Total assets	$ 812,055	$ 629,535	$ 779,618	$ 610,016	$ 477,355
Less: Intangible assets	454	—	481	—	—
Tangible assets	$ 811,601	$ 629,535	$ 779,137	$ 610,016	$ 477,355
Tangible common shareholders' equity to tangible assets	7.35 %	7.76 %	7.45 %	6.65 %	8.00 %
Tangible Book Value per Share					
Total shareholders' equity	$ 71,106	$ 59,817	$ 69,485	$ 51,534	$ 49,188
Less: preferred stock	10,980	10,980	10,980	10,980	10,980
Common shareholders' equity	60,126	48,837	58,505	40,554	38,208
Less: Intangible assets	454	—	481	—	—
Tangible common shareholders' equity	$ 59,672	$ 48,837	$ 58,024	$ 40,554	$ 38,208
Common shares issued	3,891,690	3,376,313	3,876,393	2,846,700	2,788,200
Less: shares of unvested restricted stock	118,532	49,500	122,140	49,500	30,000
Common shares outstanding	3,773,158	3,326,813	3,754,253	2,797,200	2,758,200
Book value per share	$ 15.94	$ 14.68	$ 15.58	$ 14.50	$ 13.85
Less: effects of intangible assets	0.12	—	0.12	—	—
Tangible book value per share	$ 15.81	$ 14.68	$ 15.46	$ 14.50	$ 13.85

	Three Months Ended March 31,		Years Ended December 31,		
Total Revenue					
Net interest income	$ 7,146	$ 6,085	$ 25,327	$ 21,205	$ 17,717
Add: noninterest income	769	284	4,722	345	1,134
Total revenue	$ 7,915	$ 6,369	$ 30,049	$ 21,550	$ 18,851
Noninterest income as a percentage of total revenue	9.72 %	4.46 %	15.71 %	1.60 %	6.02 %
Return on Average Common Shareholders' Equity					
Net income	$ 1,123	$ 1,012	$ 5,161	$ 1,214	$ 2,204
Total average shareholders' equity	$ 70,316	$ 59,287	$ 63,142	$ 50,572	$ 43,852
Less: average preferred stock	10,980	10,980	10,980	10,980	10,980
Average common shareholders' equity	$ 59,336	$ 48,307	$ 52,162	$ 39,592	$ 32,872
Return on average common sharesholders's equity (1)	7.57 %	8.38 %	9.89 %	3.07 %	6.70 %

(1)

- Based on annualized net income

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RISK FACTORS

In addition to the other information included in this proxy statement/prospectus (including the matters addressed in “Cautionary Note Concerning Forward-Looking Statements”), you should carefully consider the matters described below in determining whether to approve the merger agreement and in connection with your election with respect to the form of merger consideration you will receive for your QBT shares or options.

Because the market price of BWFG’s common stock will fluctuate, QBT shareholders who receive stock consideration will not know until the effective time of the merger the value of the consideration they will receive in the merger.

Upon completion of the merger, each share of QBT common stock, other than dissenting shares, will be converted into the right to receive merger consideration consisting of, at the option of the holder of such share, either cash or shares of BWFG common stock. Because the per share stock consideration is fixed at 0.56 shares of BWFG common stock, the market value of the BWFG common stock to be issued in the merger will depend upon the market price of BWFG common stock. This market price may vary from the closing price of BWFG common stock on the date the merger was announced, on the date that this proxy statement/prospectus was mailed to QBT shareholders and on the date of QBT special meeting. Accordingly, QBT shareholders who elect to receive stock consideration will not necessarily know or be able to calculate the value of the stock consideration they would be entitled to receive upon completion of the merger.

QBT shareholders may receive a form of consideration different from what they elect.

While each QBT shareholder may elect to receive cash, BWFG common stock or a combination thereof in the merger, only 75% of QBT common stock outstanding at March 31, 2014 will be converted into BWFG common stock. BWFG will issue no more than 510,305 shares of BWFG common stock as merger consideration under the terms of the merger agreement. Therefore, if QBT shareholders elect more cash or stock than is available under the merger agreement, their elections will be prorated to permit 75% of QBT common stock outstanding at March 31, 2014 to be converted into BWFG common stock. As a result, your ability to receive cash or stock in accordance with your election may depend on the elections of other QBT shareholders.

In addition, any QBT common stock resulting from the exercise of QBT stock options or warrants after March 31, 2014 will be considered non-election shares and will be paid in cash.

If you tender shares of QBT common stock to make an election, you will not be able to transfer those shares until after the merger, unless you revoke your election prior to the election deadline.

QBT shareholders may elect to receive the merger consideration in the form of cash or stock. Shareholders making an election must turn in their QBT stock certificates with their election form by 5:00 p.m., Eastern Time, twenty-five (25) days following the mailing date of the election forms. During the time between when the election is made and when stock certificates for shares of BWFG are received by shareholders following the completion of the merger, QBT shareholders will be unable to sell their QBT common stock. If the merger is unexpectedly delayed, this period could extend for a significant period of time. Elections received after the close of the election period will not be accepted or honored.

The merger agreement limits QBT’s ability to pursue alternatives to the merger.

The merger agreement contains terms and conditions that make it more difficult for QBT to sell its business to a party other than BWFG. QBT has agreed to take action necessary to convene and to hold a meeting of shareholders of QBT to consider and vote upon the approval of the merger agreement and the merger as promptly as practicable following the execution of the merger agreement. Subject to certain limited exceptions, QBT’s board of directors is required to recommend such approval. The board of directors may, however, pursue a bona fide, written acquisition proposal (i) if and only to the extent that the board of directors reasonably determines in good faith (after consultation with outside legal counsel) that such action would be required in order for its directors to comply with their respective fiduciary duties, and (ii) if the board of directors determines in good faith that such written acquisition proposal is a “Superior Proposal,” as defined in the merger agreement. If the QBT board of directors determines that an acquisition proposal satisfies the criteria described above, QBT is required to notify BWFG of the receipt of the proposal and negotiate in good faith with BWFG to make adjustments to the terms and conditions of the merger agreement such that the proposal would no longer constitute a "Superior Proposal." If the board of directors determines that it desires to accept a written acquisition proposal from a party other than BWFG, QBT may terminate the merger agreement, subject to the obligation to pay a termination fee in the amount of $600,000 to BWFG.

BWFG required QBT to agree to these provisions as a condition to BWFG's willingness to enter into the merger agreement. However, these provisions might discourage a third party that might have an interest in acquiring all or a significant part of QBT from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share price than the current proposed merger consideration, and the termination fee might result in a potential competing acquirer proposing to pay a lower per share price to acquire QBT than it might otherwise have proposed to pay.

The failure to successfully integrate QBT's business and operations in the expected time frame may adversely affect BWFG's future results.

The success of the merger will depend, in part, on the combined company's ability to realize the anticipated benefits from combining the businesses of BWFG and QBT. However, to realize these anticipated benefits, the businesses of BWFG and QBT must be successfully combined. If the combined company is not able to achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. BWFG and QBT have operated and, until the completion of the merger, will continue to operate independently. It is possible that the integration process could result in the loss of key employees, as well as the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies, any or all of which could adversely affect BWFG's ability to maintain relationships with clients, customers, depositors and employees after the merger or to achieve the anticipated benefits of the merger. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of BWFG and QBT.

QBT's executive officers and directors have interests in the merger that are different from your interest as a QBT shareholder.

QBT executive officers negotiated the merger agreement with BWFG, and the QBT board of directors approved the agreement and is recommending that QBT shareholders who are entitled to vote, vote for the agreement. In considering these facts and the other information contained in this proxy statement/prospectus, you should be aware that QBT's executive officers and directors have interests in the merger in addition to the interests that they share with you as a QBT shareholder. These interests include continued indemnification and insurance coverage by BWFG after the merger for acts or omissions occurring before the merger, change of control payments due certain executive officers in connection with the merger, the continuation of employment with BWFG for some executive officers, the appointment of one (1) current director of QBT to the BWFG and Bankwell Bank boards of directors following the effective date of the merger and the invitation of all other QBT directors to serve on a paid Advisory Board of BWFG. These interests also include the accelerated vesting of stock options and payments pursuant to severance agreements, as well as other considerations. For a detailed discussion of these interests, see the section in this document titled "Interests of QBT's Directors and Executive Officers in the Merger" beginning on page __.

The tax consequences of the merger to a QBT shareholder will be dependent upon the merger consideration received.

The tax consequences of the merger to a QBT shareholder will depend upon the merger consideration that the shareholder receives. A QBT shareholder generally will not recognize any gain or loss on the conversion of shares of QBT common stock solely into shares of BWFG common stock. However, a QBT shareholder generally will be taxed if he, she, or it receives cash in exchange for shares of QBT common stock or for any fractional share of BWFG common stock. For a detailed discussion of the tax

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consequences of the merger to QBT shareholders generally, see the section in this document titled "The Merger—Material U.S. Federal Income Tax Consequences of the Merger" beginning on page __. Each QBT shareholder should consult his, her, or its own tax advisors as to the effect of the merger as applicable to each QBT shareholder's particular circumstances.

The merger may not be completed if certain conditions are not satisfied or waived.

The merger agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. Those conditions include, but are not limited to: the approval of the merger agreement by QBT shareholders; receipt of required regulatory approvals; absence of orders prohibiting the completion of the merger; the effectiveness of the registration statement of which this proxy statement/prospectus is a part; the continued accuracy of the representations and warranties by both parties; the performance by both parties of their covenants and agreements; and the receipt by both parties of legal opinions from their respective tax counsels. See "The Merger Agreement—Conditions to the Merger" beginning on page __for a more complete discussion of the conditions to the merger.

QBT shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management of the combined organization.

QBT's shareholders currently have the right to vote in the election of the board of directors of QBT and on other matters affecting QBT. Upon the completion of the merger, each QBT shareholder that receives shares of BWFG common stock will become a stockholder of BWFG with a percentage ownership of the combined organization that is much smaller than the shareholder's percentage ownership of QBT. It is expected that the former shareholders of QBT as a group will receive shares in the merger constituting less than approximately [ ]% of the outstanding shares of BWFG common stock immediately after the merger. Because of this, QBT's shareholders will have significantly less influence on the management and policies of BWFG than they now have on the management and policies of QBT.

The fairness opinion obtained by QBT from its financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion.

SAL, QBT's financial advisor in connection with the proposed merger, has delivered to the board of directors of QBT its opinion dated as of March 31, 2014. The opinion of SAL stated that as of such date, and based upon and subject to the factors and assumptions set forth therein, the consideration to be received in the merger was fair to QBT shareholders from a financial point of view. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of BWFG or QBT, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinion is based, may materially alter or affect the relative values of BWFG and QBT.

The merger is subject to the receipt of consents and approvals from governmental entities that may delay the date of completion of the merger or impose conditions that could have an adverse effect on BWFG.

Before the merger may be completed, various approvals, consents or waivers must be obtained from state and federal governmental authorities, including the FDIC and the Banking Department. Satisfying the requirements of these governmental entities may delay the date of completion of the merger. In addition, these governmental entities may include conditions on the completion of the merger or require changes to the terms of the merger. While BWFG and QBT do not currently expect that any such conditions or changes would result in a material adverse effect on BWFG, there can be no assurance that they will not, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of BWFG following the merger, any of which might have a material adverse effect on BWFG following the merger. The parties are not obligated to complete the merger should any regulatory approval contain a non-customary condition that materially alters the benefit to which BWFG bargained for in the merger agreement.

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Failure to complete the merger could negatively impact the stock prices and future businesses and financial results of BWFG and QBT.

If the merger is not completed, the ongoing businesses of BWFG and QBT may be adversely affected and BWFG and QBT will be subject to several risks, including the following:

•

- QBT may be required, under certain circumstances, to pay BWFG a termination fee of $600,000 under the merger agreement;

•

- BWFG and QBT will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor and printing fees;

•

- under the merger agreement, QBT is subject to certain restrictions on the conduct of its business prior to completing the merger which may adversely affect its ability to execute certain of its business strategies; and

•

- matters relating to the merger may require substantial commitments of time and resources by BWFG and QBT management, which could otherwise have been devoted to other opportunities that may have been beneficial to BWFG and QBT as independent companies, as the case may be.

In addition, if the merger is not completed, BWFG and/or QBT may experience negative reactions from the financial markets and from their respective customers and employees. BWFG and/or QBT also could be subject to litigation related to any failure to complete the merger or to enforcement proceedings commenced against BWFG or QBT to perform their respective obligations under the merger agreement. If the merger is not completed, BWFG and QBT cannot assure their shareholders that the risks described above will not materialize and will not materially affect their business, financial results and stock prices.

The shares of BWFG common stock to be received by QBT shareholders as a result of the merger will have different rights from shares of QBT common stock.

Following completion of the merger, QBT shareholders will no longer be shareholders of QBT. QBT shareholders who receive shares of BWFG in the merger will instead be shareholders of BWFG. There will be important differences between your current rights as a QBT shareholder and the rights to which you will be entitled as a BWFG stockholder. See “Comparison of Shareholders’ Rights” beginning on page __ for a discussion of the different rights associated with BWFG common stock and QBT common stock.

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INFORMATION ABOUT THE COMPANIES

Bankwell Financial Group, Inc.

BWFG is a Connecticut bank holding company and the parent company of Bankwell Bank, a Connecticut-chartered bank. Bankwell Bank was originally chartered as two separate banks, The Bank of New Canaan (including a separate division, Stamford First Bank) and The Bank of Fairfield. The Bank of New Canaan began operations in April 2002 with an initial capitalization of $8.6 million. The two banks were subsequently merged and rebranded as “Bankwell Bank” in September 2013. In November 2013, The Wilton Bank was acquired and merged into Bankwell Bank. Bankwell Bank’s deposits are insured by the Deposit Insurance Fund of the FDIC.

Bankwell Bank’s operations are headquartered in New Canaan, Connecticut. Its primary market is the greater Fairfield County, Connecticut area, which is served from its main banking office, five other branch offices and one loan production office located throughout the Fairfield County area.

At March 31, 2014, BWFG had $812.1 million in total consolidated assets. BWFG’s principal executive offices are located at 220 Main Street, New Canaan, CT 06840, and its telephone number is (203) 652-6300.

See “Where You Can Find More Information” on page __ for additional information about BWFG and its subsidiaries.

Quinnipiac Bank & Trust Company

QBT is a Connecticut-chartered bank that provides financial services to the greater New Haven area from its branch in Hamden, Connecticut. QBT has received FDIC and Banking Department approval to open a branch in North Haven, Connecticut. QBT was chartered as a de novo bank and began operations on March 6, 2008. QBT’s deposits are insured by the Deposit Insurance Fund of the FDIC.

At March 31, 2014, QBT had $105.9 million in total assets. QBT’s principal executive offices are located at 2704 Dixwell Avenue, Hamden, Connecticut 06518, and its telephone number is (203) 407-0756.

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BUSINESS OF BWFG

General

BWFG is a Connecticut bank holding company headquartered in New Canaan, Connecticut and offers a broad range of financial services through BWFG's banking subsidiary, Bankwell Bank, a Connecticut state non-member bank founded in 2002. BWFG's primary market is the greater Fairfield County, Connecticut area, which BWFG serves from its main banking office located in New Canaan, Connecticut and five other branch offices located throughout the Fairfield County area and a loan production office. According to the U.S. Department of Commerce, Fairfield County is located in the fourth wealthiest metropolitan statistical area in the United States. As of March 31, 2014, on a consolidated basis, BWFG had total assets of approximately $812.1 million, total loans of approximately $657.2 million, total deposits of approximately $679.2 million, and shareholders' equity of approximately $71.1 million. Because BWFG conducts all of its material business operations through Bankwell Bank, the description of BWFG's products and services relates to activities primarily conducted at or by Bankwell Bank. BWFG is committed to making Bankwell Bank the premier "Hometown" bank in Fairfield County and its surrounding areas. In 2011, the Commercial Record's Annual Readers Poll named Bankwell Bank the No. 1 community bank in Connecticut. BWFG believes that its market exhibits highly attractive demographic attributes and presents favorable competitive dynamics, thereby offering long-term opportunities for growth. BWFG has a history of building long-term customer relationships and attracting new customers through what BWFG believes is superior customer service and ability to deliver a diverse product offering. In addition, BWFG believes that its strong capital position and extensive local ownership, coupled with a highly respected and experienced executive management team and board of directors, gives BWFG instant credibility with its customers and potential customers in BWFG's market. BWFG's focus is on building a franchise with meaningful market share and consistent revenue growth complemented by operational efficiencies that it believes will produce attractive risk-adjusted returns for BWFG's shareholders.

BWFG History and Growth

Bankwell Bank was originally chartered as two separate banks, The Bank of New Canaan (including a separate division, Stamford First Bank) and The Bank of Fairfield, which were subsequently merged and rebranded as "Bankwell Bank." Bankwell Bank was chartered with a commitment to building the premier community bank in the market BWFG serves. Bankwell Bank began operations in April 2002 with an initial capitalization of $8.6 million. Since December 31, 2008, Bankwell Bank has experienced significant growth, with $459.4 million in loan growth and $508.5 million in deposit growth, for compound annual growth rates of 26% and 30%, respectively, through March 31, 2014. Bankwell Bank's net interest margin was 3.97% for the three months ended March 31, 2014 and for the year ended December 31, 2013, the net interest margin was 3.94%, compared to a high of 4.27% for the year ended December 31, 2011. In November 2013, BWFG acquired The Wilton Bank, and it was merged into Bankwell Bank. On March 31, 2014, BWFG entered into a merger agreement with QBT, pursuant to which QBT will be merged with and into Bankwell Bank. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Bankwell Financial Group, Inc. — QBT Acquisition" for additional information.

With the efforts of BWFG's strong management team, BWFG continued its growth and maintained a strong track record of performance through the recent economic recession. From December 31, 2008 through March 31, 2014, Bankwell Bank's total assets grew from $247.0 million to approximately $812.1 million; total loans outstanding grew from $197.8 million to approximately $657.2 million and noninterest bearing deposits grew from $36.9 million to approximately $119.7 million. BWFG believes this growth was driven by BWFG's ability to provide superior service to its customers and its financial stability. This loan growth was achieved while maintaining BWFG's focus on strong underwriting standards, which has been reflected in BWFG's low net charge-off levels. BWFG's return on average common equity improved from (1.4%) to 7.57% over the same period.

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Business Strategy

BWFG is focused on making Bankwell Bank the "Hometown" bank and banking provider of choice in BWFG's highly attractive market area through:

- Responsive, Customer-Centric Products and Services and a Community Focus. BWFG offers a broad array of products and services which BWFG customizes to allow it to focus on building long-term relationships with its customers through high-quality, responsive and personal customer service. By focusing on the entire customer relationship, BWFG builds the trust of its customers, which leads to long-term relationships and generates organic growth. In addition, BWFG is committed to meeting the needs of the communities that it serves. BWFG employees are involved in many civic and community organizations which BWFG support through sponsorships. As a result, customers and potential customers within BWFG's market know about BWFG and frequently interact with its employees, which allows BWFG to develop long-term customer relationships without extensive advertising.

- Strategic Acquisitions. To complement BWFG's organic growth, BWFG focuses on strategic acquisitions in or around its existing markets that further its objectives. BWFG believes there are many banking institutions that continue to face credit challenges, capital constraints and liquidity issues and that lack the scale and management expertise to manage the increasing regulatory burden and will likely need to partner with an institution like BWFG. On March 31, 2014, BWFG entered into the merger agreement with QBT. As BWFG evaluates potential acquisitions, it will continue to seek acquisitions that provide meaningful financial benefits, long-term organic growth opportunities and expense reductions, without compromising BWFG's risk profile.

- Utilization of Efficient and Scalable Infrastructure. BWFG employ a systematic and calculated approach to increasing its profitability and improving its efficiencies. BWFG recently upgraded its operating infrastructure, particularly in the areas of technology, data processing, compliance and personnel. BWFG believes that its scalable infrastructure provides BWFG with an efficient operating platform from which to grow in the near term, and without incurring significant incremental noninterest expenses, while continuing to deliver high-quality, responsive customer service, which will enhance BWFG's ability to grow and increase its returns.

- Disciplined Focus on Risk Management. Effective risk management is a key component of BWFG's strong corporate culture. BWFG uses its strong risk management infrastructure to monitor existing loan and investment securities portfolios, support operational decision-making and improve its ability to generate earning assets with strong credit quality. To maintain BWFG's strong credit quality, BWFG uses a comprehensive underwriting process and seeks to maintain a diversified loan portfolio and a conservative investment securities portfolio. Board-approved policies contain approval authorities, as appropriate, and are reviewed at least annually. BWFG has a Risk Management Steering Committee comprised of executive officers who oversee new business initiatives and other activities that warrant oversight of risk and related mitigants. Internal review procedures are performed regarding anti-money laundering and consumer compliance requirements. BWFG's Chief Risk Officer reports directly to the Chair of BWFG's Audit Committee.

BWFG's Competitive Strengths

BWFG believes that it is especially well-positioned to create value for its shareholders as a result of the following competitive strengths:

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- BWFG's Market. BWFG's current market is defined as the greater Fairfield County area, which is part of the fourth most affluent metropolitan statistical area in the United States, the Bridgeport-Stamford-Norwalk, Connecticut MSA, according to the U.S. Department of Commerce. The Stamford market area includes numerous affluent suburban communities of professionals who work and commute into New York City, approximately 50 miles from BWFG's headquarters, and many small to mid-sized businesses which support these communities. Fairfield

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County is the wealthiest county in Connecticut, with a 2008-2012 median household income of $82,614 according to estimates from United States Census Bureau. BWFG believes that this market has economic and competitive dynamics that are favorable to executing BWFG's growth strategy.

- Experienced and Respected Management Team with a Proven and Successful Track Record. BWFG's executive management team, led by Peyton R. Patterson, is comprised of seasoned professionals with significant banking experience, a history of high performance at local financial institutions and success in identifying, acquiring and integrating financial institutions. Ms. Patterson has over 25 years of commercial banking experience, previously serving as Chairman, President and Chief Executive Officer at NewAlliance Bancshares, an approximately $9 billion asset bank headquartered in New Haven, Connecticut which was acquired by First Niagara Financial Group, Inc. in 2011. BWFG's senior management team also includes Heidi S. DeWyngaert, Executive Vice President, Chief Lending Officer (nine years with BWFG), Ernest J. Verrico, Sr., Executive Vice President, Chief Financial Officer (four years with BWFG), Gail E.D. Brathwaite, Executive Vice President, Chief Operating Officer (formerly worked with Ms. Patterson for nine years at NewAlliance, one year with BWFG), and Diane Knetzger, Senior Vice President, Director of Marketing (nine years with BWFG).

- Dedicated Board of Directors with Strong Community Involvement. BWFG's board of directors is comprised of a group of local business leaders who understand the need for strong community banks that focus on serving the financial needs of their customers. One of BWFG's directors, Frederick R. Afragola was instrumental in BWFG's organization and growth. Mr. Afragola was the Chief Executive Officer and President of The Bank of New Canaan from its opening in 2002 until his retirement in 2008 and played an integral role in building BWFG's foundation and guiding its growth. The interests of BWFG's executive management team and directors are aligned with those of BWFG's shareholders through common stock ownership. As of May 31, 2014, BWFG directors and officers beneficially owned approximately 33% of BWFG's common stock. By capitalizing on the close community ties and business relationships of BWFG's executive management team and directors, BWFG is positioned to continue taking advantage of the market opportunity present in its primary market.

- Strong Capital Position. At March 31, 2014, BWFG had a 7.35% tangible common equity ratio, and Bankwell Bank had a 7.90% tier 1 leverage ratio and a 9.49% tier 1 risk-based ratio. BWFG believes that its ability to attract capital has facilitated its growth and is an integral component to the execution of its business plan.

- Scalable Operating Platform. BWFG provides banking technology, including remote deposit capture, internet banking and mobile banking, to provide BWFG's customers with maximum flexibility and create a scalable platform to accommodate BWFG's future growth aspirations. BWFG believes that its advanced technology combined with responsive and personal service provides its customers with a superior banking experience.

BWFG's Market

BWFG's banking offices are located in Fairfield County, Connecticut, which includes some of the most affluent areas in the United States and is part of the Bridgeport-Stamford-Norwalk, Connecticut MSA, the fourth most affluent MSA in the United States according to the U.S. Department of Commerce. BWFG believes this area represents one of the more robust economic regions in the country.

BWFG's market area is a demographically diverse area, which includes affluent suburban communities of professionals who work at the 16 Fortune 500 companies headquartered in Connecticut or commute into New York City, approximately 50 miles from BWFG's headquarters. From a small business perspective, in 2010 Connecticut ranked 27 th in the nation in the number of business establishments with less than 500 employees (over 70,000 businesses) according to the United States Census Bureau. Many small to mid-sized businesses support these communities and create a highly attractive demographic landscape in which to operate. Fairfield County, where BWFG is headquartered, is the wealthiest county in Connecticut, with a 2008-2012 median household income of $82,614 according to estimates from United States Census Bureau.

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During 2008-2012, over 89% of Fairfield County adult residents were high school graduates, with 44% having a bachelor's degree or higher, according to the American Community Survey provided by the United States Census Bureau. Ten Fairfield County high schools ranked in the top 1,000 high schools in the nation for 2013, according to Newsweek magazine. For the years 2008-2012, over 69% of Fairfield County residents owned their own home, according to the United States Census Bureau. The median value of owner-occupied housing units was $447,500 according to the United States Census Bureau.

According to data from the FDIC, the Fairfield County market area is served by 399 bank and thrift branches, and total deposits in BWFG's primary market area are approximately $34.9 billion as of June 30, 2013. Over 53% of the deposits, as of June 30, 2013, in BWFG's market area were controlled by banks in excess of $50 billion in assets. In the twelve month period ended June 30, 2013, BWFG grew its deposit base by $109.5 million, or 26.2%, representing a 21.7% increase in market share.

BWFG believes that its primary market is a long-term, attractive market for the types of products and services that BWFG offers. Given Fairfield County's close proximity to New York City and the vibrant business community located in Fairfield County, BWFG anticipates that this market will continue to support BWFG's projected growth. BWFG believes that the population and business concentrations within its primary markets provide attractive opportunities to grow BWFG's business.

BWFG Products and Services

BWFG offers its clients a broad range of deposit and loan products, including personal and business checking accounts, retirement accounts, money market accounts, time and savings accounts at competitive interest rates, online and mobile banking, cash management, Popmoney ® Person to Person transfers, a personal Visa® Debit Card Purchase Rewards Program, an online personal financial management tool and safe deposit boxes. In addition, to attract the business of consumer and business customers, BWFG also provides a broad array of other banking services, including a full suite of cash management services for businesses, wire transfers, stop payments, e-statements, self-service coin counting and notary services. BWFG also offers remote deposit capture banking, which allows business and professional customers to use a desktop scanner to scan and transmit checks for deposit, reducing time and cost.

The following is a summary of BWFG's deposits as of March 31, 2014:

Type	**Total Deposits (dollars in thousands)**	**Number of Accounts**
Checking	$ 119,656	4,447
NOW	47,274	1,195
Money Market	196,904	1,045
Savings	104,813	3,328
Time	210,576	2,362
Total Deposits	$ 679,223	12,377

Checking consists of both retail and business products. BWFG offers retail customers a range of checking products, including Free Checking, Personal Interest Checking and Tiered Rate Checking, all of which provide BWFG's retail clients with No-Fee ATM Banking Nationwide, a free first order of checks, Free Online and Mobile Banking and Bill Pay Services and the option of E-statements and Debit Purchase Rewards. BWFG offers noninterest bearing checking accounts. BWFG also offer interest-bearing checking to its attorney, IOLTA and sole proprietorship accounts. NOW accounts consist of retail accounts that have minimum balance requirements. Money market accounts consist of products that provide a market rate of interest to depositors but have limited check-writing capabilities. BWFG savings accounts for personal and business are statement savings accounts. Time deposits consist of certificates of deposit, including those held in IRA accounts, generally with maturities ranging from three months to five years and brokered certificates of deposit which are used primarily for asset liability management purposes. BWFG also offers a suite of cash management services for businesses, and Remote Deposit Capture.

Deposits serve as the primary source of funding for BWFG's interest-earning assets, and also generate noninterest revenue through insufficient funds fees, stop payment fees, safe deposit rental fees, card income,
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including foreign ATM fees and credit and debit card interchange and other miscellaneous fees. In addition, BWFG generates additional noninterest revenue associated with residential loan origination and sale, loan servicing, late fees and merchant services.

BWFG offers personal and commercial business loans on a secured and unsecured basis, revolving lines of credit, commercial mortgage loans, and residential mortgages on both primary and secondary residences, home equity loans, bridge loans and other personal purpose loans. BWFG is not and has not been a participant in the sub-prime lending market.

Commercial loans are loans made for business purposes and are secured by collateral such as marketable securities held by or under the control of Bankwell Bank, business assets including accounts receivable, inventory and equipment and liens on commercial and residential real estate. Commercial construction loans are loans to finance the construction of commercial or residential properties secured by first liens on such properties. Commercial real estate loans include loans secured by first liens on completed commercial properties, including multi-family properties, to purchase or refinance such properties. Residential mortgages include loans secured by first liens on residential real estate, and are generally made to new or existing customers of BWFG to purchase or refinance primary and secondary residences. Home equity loans and lines of credit include loans secured by first or second liens on residential real estate for primary or secondary residences. Consumer loans are made to individuals who qualify for auto loans, cash reserve, credit cards and installment loans.

The following table sets forth loan origination activity:

	For the Three Months Ended March 31, 2014		For the Years Ended December 31, 2013		2012	
(Dollars in thousands)	**Total Loans**	**Number of Loans**	**Total Loans**	**Number of Loans**	**Total Loans**	**Number of Loans**
Real estate loans:						
Residential	$ 4,075	7	$ 52,798	51	$ 65,862	79
Commercial	42,622	12	100,075	80	133,956	92
Construction	11,077	5	46,237	30	21,064	13
Home equity loans	210	3	2,272	5	1,885	7
	57,984	27	201,382	166	222,767	191
Commercial business loans	6,735	12	75,622	70	58,131	73
Consumer loans	18	4	461	6	50	5
Total loans	$ 64,737	43	$ 277,465	242	$ 280,948	269

BWFG's business model includes using industry best practices for community banks, including personalized service, state-of-the-art technology and extended hours. BWFG believes this will generate deposit accounts with somewhat larger average balances than are found at many other financial institutions. BWFG also uses pricing techniques in its efforts to attract banking relationships having larger than average balances.

Lending Activities

General. BWFG's primary lending focus is to serve commercial and middle-market businesses and their executives, high net worth individuals, not-for-profit organizations and consumers with a variety of financial products and services, while maintaining strong and disciplined credit policies and procedures. BWFG offers a full array of commercial and retail lending products to serve the needs of its customers. Commercial lending products include owner-occupied commercial real estate loans, commercial real estate investment loans, commercial loans (such as business term loans, equipment financing and lines of credit) to small and mid-sized businesses and real estate construction and development loans. Retail lending products include residential mortgage loans, home equity lines of credit and consumer installment loans. BWFG's retail lending products are offered to the community in general and as an accommodation to BWFG's commercial customers, and their executives and employees. BWFG focuses its lending activities on

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loans that BWFG originates from borrowers located in its market. BWFG has established an informal, internal lending limit of $9.1 million to one borrower (the statutory maximum is 15% of BWFG’s unimpaired capital and surplus for unsecured loans and an additional 10% of BWFG’s unimpaired capital and surplus for fully secured loans).
BWFG markets its lending products and services to qualified borrowers through conveniently located banking offices, relationship networks and high touch personal service. BWFG targets its business development and marketing strategy primarily on small to medium sized businesses with between $500,000 and $20 million in annual revenue. BWFG’s relationship managers actively solicit the business of companies entering BWFG’s market areas as well as long-standing businesses operating in the communities BWFG serves. BWFG seeks to attract new lending customers through professional service, relationship networks, competitive pricing and innovative structure, including the utilization of federal and state tax incentives. BWFG prides itself on smart, efficient underwriting and timely decision making for new loan requests due to BWFG’s leaner approval structure and local decision-making. BWFG believes this gives BWFG a competitive advantage over larger institutions that are not as nimble.
Total loans were $657.2 million at March 31, 2014. Since December 31, 2008, total loans have increased $459.4 million from $197.8 million, reflecting expansion of BWFG’s branch network, including $25.1 million of acquired loans from The Wilton Bank. The following table summarizes the composition of BWFG’s loan portfolio for the dates indicated.

	At March 31,		At December 31,			
	2014		2013		2012	
(Dollars in thousands)	**Amount**	**Percent of Loan Portfolio**	**Amount**	**Percent of Loan Portfolio**	**Amount**	**Percent of Loan Portfolio**
Real estate loans:						
Residential	$ 158,905	24.18 %	$ 155,874	24.66 %	$ 144,288	27.22 %
Commercial	332,007	50.52	315,762	49.96	284,763	53.72
Construction	48,996	7.46	51,495	8.15	33,148	6.26
Home equity	13,549	2.06	13,497	2.14	11,030	2.08
	553,457	84.22	536,628	84.91	473,229	89.28
Commercial business loans	103,154	15.70	94,547	14.96	56,764	10.71
Consumer loans	550	0.08	837	0.13	57	0.01
Total loans	$ 657,161	100.00 %	$ 632,012	100.00 %	$ 530,050	100.00 %

	At December 31,					
	2011		2010		2009	
(Dollars in thousands)	**Amount**	**Percent of Loan Portfolio**	**Amount**	**Percent of Loan Portfolio**	**Amount**	**Percent of Loan Portfolio**
Real estate loans:						
Residential	$ 104,754	28.37 %	$ 104,053	36.08 %	$ 117,386	45.63 %
Commercial	173,951	47.10	111,271	38.58	71,829	27.92

	At December 31,							
Construction		40,422	10.95		38,072	13.20		41,703	16.21
Home equity		14,815	4.01		16,657	5.77		17,091	6.64
		333,942	90.43		270,053	93.63		248,009	96.40
Commercial business loans		35,041	9.49		17,713	6.14		9,016	3.51
Consumer loans		311	0.08		659	0.23		243	0.09
Total loans	$	369,294	100.00%	$	288,425	100.00%	$	257,268	100.00%

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Commercial loans. BWFG offers a wide range of commercial loans, including business term loans, equipment financing and lines of credit to small and midsized businesses. BWFG's target commercial loan market is retail and professional establishments and small- to medium-sized businesses. The terms of these loans vary by purpose and by type of underlying collateral. The commercial loans primarily are underwritten on the basis of the borrower's ability to service the loan from cash flow. BWFG makes equipment loans with conservative margins generally for a term of ten years or less, supported by the useful life of the equipment, at fixed or variable rates, with the loan fully amortizing over the term. Loans to support working capital typically have terms not exceeding one year and usually are secured by accounts receivable, inventory and personal guarantees of the principals of the business and often by the commercial real estate of the borrower. For loans secured by accounts receivable or inventory, principal typically is repaid as the assets securing the loan are converted into cash, and for loans secured with other types of collateral, principal is typically due at maturity. The quality of the commercial borrower's management and its ability both to properly evaluate changes in the supply and demand characteristics affecting its markets for products and services and to effectively respond to such changes are significant factors in a commercial borrower's creditworthiness. Risks associated with BWFG's commercial loan portfolio include those related to the strength of the borrower's business, which may be affected not only by local, regional and national market conditions, but also changes in the borrower's management and other factors beyond the borrower's control; those related to fluctuations in value of any collateral securing the loan; and those related to terms of the commercial loan, which may include balloon payments that must be refinanced or paid off at the end of the term of the loan. BWFG's commercial loan portfolio presents a higher risk profile than its consumer real estate and consumer loan portfolios.

Commercial real estate loans. BWFG offers real estate loans for commercial property that is owner-occupied as well as commercial property owned by real estate investors. Commercial loans that are secured by owner-occupied commercial real estate and primarily collateralized by operating cash flows are also included in this category of loan. Commercial real estate loan terms generally are limited to ten years or less, although payments may be structured on a longer amortization basis of 20 to 25 years. The interest rates on BWFG's commercial real estate loans may be fixed or adjustable, although rates typically are not fixed for a period exceeding five to ten years. BWFG generally charges an origination fee for its services. BWFG typically requires personal guarantees from the principal owners of the business or real estate supported by a review of the principal owners' personal financial statements. Risks associated with commercial real estate loans include fluctuations in the value of real estate, the overall strength of the economy, new job creation trends, tenant vacancy rates, environmental contamination, and the quality of the borrower's management. BWFG makes efforts to limit its risk by analyzing borrowers' cash flow and collateral value as well as all of the sponsors' investment activities. The real estate securing BWFG's existing commercial real estate loans includes a wide variety of property types, such as owner-occupied offices/warehouses/production facilities, office buildings, industrial, mixed-use residential/commercial, retail centers and multifamily properties. BWFG's commercial real estate loan portfolio presents a higher risk profile than its consumer real estate and consumer loan portfolios.

Construction loans. BWFG's construction portfolio includes loans to small and midsized businesses to construct owner-user properties, loans to developers of commercial real estate investment properties and residential developments and, to a lesser extent, loans to individual clients for construction of single family homes in BWFG's market. Construction and development loans are generally made with a term of one to two years and interest is paid monthly. The ratio of the loan principal to the value of the collateral, as established by independent appraisal, typically will not exceed industry standards. Loan proceeds are disbursed based on the percentage of completion and only after the project has been inspected by an experienced construction lender or third-party inspector. Risks associated with construction loans include fluctuations in the value of real estate, project completion risk and change in market trends. BWFG is also exposed to risk based on the ability of the construction loan borrower to finance the loan or sell the property upon completion of the project, which may be affected by changes in market trends since the time that BWFG funded the construction loan.

Consumer real estate loans. BWFG offers first lien one-to-four family mortgage loans, as well as home equity lines of credit, in each case primarily on owner-occupied primary residences. BWFG also originates for resale one-to-four family mortgage loans, which are classified as loans held for sale until sold to investors. Although BWFG's consumer real estate loan portfolio presents lower levels of risk than

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BWFG's commercial, commercial real estate and construction loan portfolios, BWFG is exposed to risk based on fluctuations in the value of the real estate collateral securing the loan, as well as changes in the borrower's financial condition, which could be affected by numerous factors, including divorce, job loss, illness or other personal hardship.
Consumer loans. BWFG offers consumer loans as an accommodation to BWFG's existing customers, but does not market consumer loans to persons who do not have a pre-existing relationship with BWFG. As of March 31, 2014, BWFG's consumer loans represented less than 1% of BWFG's total loan portfolio. BWFG does not expect its consumer loans to become a material component of BWFG's loan portfolio at any time in the foreseeable future. Although BWFG does not engage in any material amount of consumer lending, BWFG's consumer loans, which are underwritten primarily based on the borrower's financial condition and, in many cases, are unsecured credits, subject BWFG to risk based on changes in the borrower's financial condition, which could be affected by numerous factors, including those discussed above.
Credit Policy and Procedures
General. BWFG adheres to what it believes are disciplined underwriting standards, but also remains cognizant of the need to serve the credit needs of customers in its primary market areas by offering flexible loan solutions in a responsive and timely manner. BWFG also seeks to maintain a broadly diversified loan portfolio across customer, product and industry types. However, BWFG's lending policies do not provide for any loans that are highly speculative, subprime, or that have high loan-to-value ratios. These components, together with active credit management, are the foundation of BWFG's credit culture, which BWFG believes is critical to enhancing the long term value of BWFG to its customers, employees, shareholders and communities.
BWFG has a service-driven, relationship-based, business-focused credit culture, rather than a price-driven, transaction-based culture. Accordingly, substantially all of BWFG's loans are made to borrowers located or operating in BWFG's primary market with whom BWFG has ongoing relationships across various product lines. The limited number of loans secured by properties located in out-of-market areas that BWFG has made are generally to borrowers who are well-known to BWFG. These borrowers typically have strong deposit relationships with BWFG.
Credit concentrations. In connection with the management of BWFG's credit portfolio, BWFG actively manages the composition of its loan portfolio, including credit concentrations. BWFG monitors borrower, loan product and industry concentrations on at least a quarterly basis. Loan product concentrations are reviewed annually in conjunction with the portfolio's credit quality and the business plan for the coming year. All concentrations are monitored by BWFG's Chief Credit Officer and BWFG's Loan Committee. BWFG has also established an informal, internal limit on loans to one borrower, principal or guarantor of $9.1 million. BWFG's top 20 borrowing relationships range in exposure from $4.9 million to $13.8 million and are monitored on an on-going basis.
Loan approval process. BWFG seeks to achieve an appropriate balance between prudent, disciplined underwriting, on the one hand, and flexibility in BWFG's decision-making and responsiveness to BWFG's customers, on the other hand. BWFG's credit approval policies have a tiered approval process, with larger exposures referred to Bankwell Bank's internal loan committee and the Loan Committee, as appropriate, based on the size of the loan. Smaller exposures are approved under a three-signature system. Loans with policy exceptions require the next higher level of approval authority, the highest of which is the Loan Committee, depending on dollar amount. These authorities are periodically reviewed and updated by BWFG's board of directors. BWFG believes that BWFG's credit approval process provides for thorough underwriting and efficient decision making.
Credit risk management. Credit risk management involves a partnership between BWFG's relationship managers and BWFG's credit approval, credit administration and collections personnel. Portfolio monitoring and early problem recognition are an important aspect of maintaining BWFG's high credit quality standards. Past due reports are reviewed daily, as well as insurance and tax payment monitoring. BWFG's evaluation and compensation program for its relationship managers includes significant goals that BWFG believes motivate the relationship managers to focus on high quality credit consistent with BWFG's strategic focus on asset quality.

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It is BWFG's policy to review all commercial loans in excess of $300 thousand on an annual basis, or more frequently through the receipt of interim financial statements and borrowing base certificates. BWFG's policies require rapid notification of delinquency and prompt initiation of collection actions. Relationship managers, credit administration personnel and senior management proactively support collection activities in order to maximize accountability and efficiency.

As part of these annual review procedures, BWFG analyzes recent financial statements of the property and/or borrower to determine the current level of occupancy, revenues and expenses and to investigate any deterioration in the value of the real estate collateral or in the borrower's financial condition. Upon completion, BWFG updates the risk rating grade assigned to each loan. Relationship managers are encouraged to bring potential credit issues to the attention of BWFG's Chief Credit Officer immediately upon any sign of deterioration in the performance of the borrower. BWFG maintains a list of loans that receive additional attention if BWFG believes there may be a potential credit risk via BWFG's Watch List report.

Loans that are downgraded are reviewed by BWFG's Chief Credit Officer, while classified loans undergo a detailed quarterly analysis prepared by the lending officer and reviewed by management and BWFG's internal loan committee. This review includes an evaluation of the market conditions, the property's trends, the borrower and guarantor status, the level of reserves required and loan accrual status. Additionally, BWFG has an independent, third-party review performed on BWFG's loan grades and BWFG's credit administration functions each year. Finally, BWFG performs an annual stress test of BWFG's commercial real estate portfolio, in which BWFG evaluates the impact on the portfolio of declining economic conditions, including lower rental rates, lower occupancy rates, higher interest rates and lower resulting valuations. Management reviews these reports and presents them to BWFG's Loan Committee. These asset review procedures provide management with additional information for assessing BWFG's asset quality.

Deposits

Deposits are BWFG's primary source of funds to support BWFG's earning assets. BWFG offers traditional depository products, including checking, savings, money market and certificates of deposit with a variety of rates. Deposits at Bankwell Bank are insured by the FDIC up to statutory limits. BWFG price its deposit products with a view to maximizing BWFG's share of each customer's financial services business, and BWFG's loan pricing gives value to deposits from BWFG's loan customers.

BWFG has built out a network of its main banking office and five other deposit-taking branch offices and attracted significant transaction account business through BWFG's relationship-based approach. As a result of BWFG's significant deposit growth in transaction accounts, which BWFG defines as demand, NOW and money market deposits, BWFG has achieved a favorable deposit mix between transaction accounts and certificates of deposit.

Investment Services

On October 15, 2013, BWFG launched Bankwell Investment Services, which provides a range of services, including, but not limited to: 401k rollover planning, retirement planning, asset allocation planning, financial planning, business planning, estate planning, mutual funds, fixed and variable annuities, exchange traded funds, separate managed accounts, stocks and bonds, traditional and Roth IRAs and brokerage certificates of deposits. These services are handled through Kingston Wealth Management Group and Investacorp, Inc. and are not obligations of BWFG or Bankwell Bank and are not endorsed nor recommended by BWFG. BWFG earns a fixed percentage of the revenue generated on products sold through Kingston Wealth Management Group and Investacorp, Inc., net of commissions paid to the financial advisors. These products and services are not savings accounts, deposits, or other obligations of Bankwell Bank and are not insured or guaranteed by the FDIC or any other governmental agency.

Investments

BWFG manages its investment portfolio primarily for liquidity purposes, with a secondary focus on returns through the use of a liquidity portfolio and an earnings portfolio. BWFG's liquidity portfolio's primary purpose is to provide adequate liquidity necessary to meet any reasonable decline in deposits and

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any anticipated increase in the loan portfolio. The majority of these securities are classified as available-for-sale. BWFG's earnings portfolio's primary purpose is to generate earnings adequate to provide and contribute to stable income and to generate a profitable return while minimizing risk. The majority of these securities are classified as held-to-maturity. Additionally, BWFG's investment portfolio is used to provide adequate collateral for various regulatory or statutory requirements and to manage BWFG's interest rate risk. BWFG invests in a variety of high-grade securities, including government agency securities, government guaranteed mortgage backed securities, highly rated corporate bonds and municipal securities. BWFG regularly evaluates the composition of this category as changes occur with respect to the interest rate yield curve. Although BWFG may sell investment securities from time to time to take advantage of changes in interest rate spreads, it is BWFG's policy not to sell investment securities unless BWFG can reinvest the proceeds at a similar or higher spread, so as not to take gains to the detriment of future income.

The investment policy is reviewed annually by BWFG's board of directors. Overall investment goals are established by BWFG's board of directors, Chief Executive Officer, Chief Financial Officer and BWFG's asset/liability management committee, or ALCO. BWFG's board of directors has delegated the responsibility of monitoring BWFG's investment activities to ALCO. Day-to-day activities pertaining to the investment portfolio are conducted within BWFG's accounting department under the supervision of BWFG's Chief Financial Officer.

Competition

The financial services industry in BWFG's market and the surrounding area is highly competitive. BWFG competes with commercial banks, savings banks, savings associations, money market funds, mortgage brokers, finance companies, credit unions, insurance companies, investment firms and private lenders in various segments of BWFG's business. Many of these competitors have more assets, capital and lending limits, and resources than BWFG and may be able to conduct more intensive and broader based promotional efforts to reach both commercial and individual customers. Competition for deposit products can depend heavily on pricing because of the ease with which customers can transfer deposits from one institution to another.

BWFG focuses its marketing efforts on small to medium-sized businesses, professionals and individuals and their employees. This focus includes retail, service, wholesale distribution, manufacturing and international businesses. BWFG attracts these customers based on relationships and contacts that BWFG's management and board of directors have within and beyond the market area. BWFG does not expect to compete with large institutions for the primary banking relationships of large corporations. Rather, BWFG competes for niches in this business segment and for the consumer business of employees of such entities. Many of BWFG's larger commercial bank competitors have greater name recognition and offer certain services that BWFG does not. However, BWFG believes that its presence in BWFG's primary market area and focus on providing superior service to professionals at small to medium sized businesses and individual employees of such businesses are instrumental to BWFG's success.

BWFG emphasizes personalized banking services and the advantage of local decision-making in BWFG's banking businesses, and this emphasis has been well received by the public in BWFG's market area. BWFG derives a majority of BWFG's business from its local market area, which includes its primary market area of Fairfield County, Connecticut.

Small Business Lending Fund Program

Since 2011, BWFG has participated in the Small Business Lending Fund program, or SBLF, offered by the United States Department of the Treasury, a dedicated investment fund designed to encourage lending to small businesses by providing capital to qualified community banks and community development loan funds with assets of less than $10 billion. In connection with SBLF, the Treasury purchased shares of BWFG's preferred stock on August 4, 2011 for an aggregate purchase price of approximately $10,980,000. BWFG used the proceeds from the SBLF funding to repurchase the preferred stock issued by BWFG to the Treasury in connection with its Capital Purchase Program, as well as to provide additional capital to Bankwell Bank, allowing Bankwell Bank to expand its small business lending programs. In July, 2013, BWFG was ranked first by the Treasury on its list of top performing banks across the nation that

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participated in SBLF, with the highest growth in qualified small business loans (as defined by the Treasury). As a result of BWFG's success in making loans through the program, BWFG was allowed to repay the funds at a 1% interest rate. The SBLF funds must be repaid by February 4, 2016 or the interest rate on the preferred stock will automatically increase to 9% per year.

Description of Property

Bankwell Bank's main office is located at 208 Elm Street in New Canaan, Connecticut. The property is leased until 2016, with three remaining five-year renewal options. In July 2012, BWFG leased additional space adjacent to 208 Elm Street at 220 Elm Street primarily for BWFG's executive management offices. The initial term expires in 2018, with one five-year renewal option.

BWFG also leases office space for each of Bankwell Bank's branch offices in New Canaan, Norwalk, Stamford and Fairfield, Connecticut, and BWFG's loan production office in Bridgeport. The leases for BWFG's facilities have terms expiring at dates ranging from 2015 to 2028, although certain of the leases contain options to extend beyond these dates. BWFG owns the Wilton branch office. BWFG believes that BWFG's current facilities are adequate for BWFG's current level of operations.

Each lease is at market rate based on similar properties in the applicable market area. BWFG believes that BWFG has the necessary infrastructure in place to support BWFG's projected growth.

Legal Proceedings

From time to time BWFG is a party to various litigation matters incidental to the conduct of BWFG's business. BWFG is not presently party to any legal proceedings the resolution of which BWFG believes would have a material adverse effect on BWFG's business, future prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

Enterprise Risk Management

BWFG places significant emphasis on risk mitigation as an integral component of BWFG's organizational culture. BWFG believes that BWFG's emphasis on risk management is manifested in BWFG's solid asset quality statistics. Risk management with respect to BWFG's lending philosophy focuses, among other things, on structuring credits to provide for multiple sources of repayment, coupled with strong underwriting undertaken by experienced bank officers and credit policy personnel. BWFG performs quarterly loan impairment analyses on criticized loans and criticized asset action plans for those borrowers who display deteriorating financial conditions in order to monitor those relationships and implement corrective measures on a timely basis to minimize losses. In addition, BWFG performs an annual stress test of BWFG's commercial real estate portfolio, in which BWFG evaluates the impact on the portfolio of declining economic conditions, including lower rental rates, lower occupancy rates and lower resulting valuations. The stress test focuses only on the cash flow and valuation of the properties and ignores the liquidity, net worth and cash flow of any guarantors related to the credits.

BWFG also focuses on risk management in other areas throughout BWFG's organization. BWFG has created the position of Chief Risk Officer to oversee the Risk Management function and formulated a risk management Steering Committee. BWFG currently outsources its asset/liability management process to a reputable third party and on a quarterly basis, BWFG runs the full interest rate risk model. Results of the model are reviewed and validated by BWFG's ALCO. Additionally, BWFG is in the process of strengthening its regulatory compliance and internal control procedures.

Intellectual Property

BWFG does not hold any patents, trademarks, licenses, franchises or concessions materially important to BWFG, other than those required or granted by regulatory authorities.

Full Time Employees

At March 31, 2014, BWFG had a total of 103 full-time equivalent employees. None of BWFG's employees are subject to a collective bargaining agreement.

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Management's Discussion and Analysis of Financial Condition and
Results of Operations — Bwfg AND THE WILTON BANK

BWFG Selected Financial Information As of March 31, 2014 and December 31, 2013 and For the Three Months Ended March 31, 2014 and 2013.

This section presents management's perspective on BWFG's financial condition and results of operations. The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes contained elsewhere in this prospectus on Form S-4. 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 section titled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors." BWFG assumes 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 its wholly owned subsidiary, Bankwell Bank, or the Bank, BWFG serves small and medium-sized businesses and retail customers in greater Fairfield County, Connecticut. BWFG has a history of building long-term customer relationships and attracting new customers through strong customer service and its ability to deliver a diverse product offering.

The following discussion and analysis presents BWFG's results of operations and financial condition on a consolidated basis. However, because BWFG conducts all of its material business operations through the Bank, the discussion and analysis relates to activities primarily conducted at the Bank.

BWFG generates most of its revenue from interest on loans and investments and fee-based revenues. BWFG's primary source of funding for its loans is deposits. BWFG's largest expenses are interest on these deposits and salaries and related employee benefits. BWFG measures its performance primarily through its 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.

BWFG believes that accounting estimates for the allowance for loan losses, fair values of securities and deferred taxes are particularly critical and susceptible to significant near-term change. These accounting estimates are discussed further below. See "Critical Accounting Policies and Estimates."

Executive Overview

BWFG is focused on becoming the "Hometown" bank and the banking provider of choice in its highly attractive market area, and to serve as a locally based alternative to its larger competitors 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.

During 2014 BWFG entered into a merger agreement and completed an initial public offering, or IPO, for the sale of 2,702,703 shares of common stock.

On March 31, 2014, BWFG entered into a merger agreement with Quinnipiac Bank & Trust Company, or Quinnipiac or QBT, located in New Haven County, Connecticut. Quinnipiac has one branch located in Hamden, Connecticut, and a second branch scheduled to open in July 2014, in the neighboring town of North Haven, Connecticut. At March 31, 2014, Quinnipiac had approximately $106 million in assets, $89 million in deposits and loans of $88 million. Upon consummation of the transaction, Quinnipiac will be merged into Bankwell Bank. The transaction is expected to close in the third quarter of 2014, subject to

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the requisite approval of the shareholders of Quinnipiac, required regulatory approvals, and satisfaction of other customary closing conditions. See Note 13, Subsequent Events, in the Notes to Unaudited Consolidated Financial Statements located elsewhere for further information about the merger agreement with Quinnipiac.
On May 15, 2014, Bankwell Financial Group, Inc. priced 2,702,703 common shares in its IPO at $18.00 per share, and on May 15, 2014, Bankwell common shares began trading on the Nasdaq Stock Market (ticker symbol: BWFG). The net proceeds from the IPO were approximately $44.9 million, after deducting the underwriting discount of approximately $2.5 million and approximately $1.3 million of expenses. BWFG intends to use the net proceeds for general corporate purposes, which may include maintaining liquidity at the holding company, providing equity capital to Bankwell Bank to fund balance sheet growth or working capital needs, its working capital needs, and funding acquisitions of branches, whole financial institutions and related lines of businesses in or around its existing market that further its objectives.
Earnings Overview
Net income was $1.1 million for the first quarter of 2014, compared to $1.0 million for the first quarter of 2013. Net income available to common shareholders was $1.1 million, or $0.28 per diluted share, and $1.0 million, or $0.30 per diluted share, respectively, for the three months ended March 31, 2014 and 2103. Returns on average equity and average assets for the three months ended March 31, 2014 were 6.39% and 0.58%, respectively, compared to 6.83% and 0.67%, respectively, for the same period in 2013.
The quarter ended March 31, 2014 included merger and acquisition related expenses of $141 thousand, $93 thousand net of tax, primarily reflecting costs related to BWFG's definitive agreement to purchase Quinnipiac signed on March 31, 2014. Exclusive of these expenses, net income for the first quarter of 2014 would have been $1.2 million.
For the three months ended March 31, 2014, BWFG had net interest income of $7.1 million, an increase of $1.1 million, or 17%, over the three months ended March 31, 2013. Net interest margin (fully taxable equivalent basis) for the three months ended March 31, 2014 and 2013 was 3.97% and 4.16%, respectively. BWFG also experienced growth in non-interest income, which totaled $769 thousand for the three months ended March 31, 2014 representing 10% of total revenue, up from $284 thousand, or 4% of total revenue, for the three months ended March 31, 2013.
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 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. The following tables and discussion present net interest income on a fully taxable equivalent, or FTE basis, by adjusting income and yields on tax-exempt loans and securities to be comparable to taxable loans and securities. BWFG converts tax-exempt income to a 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 and, for loans, only include performing loans. Average balances of non-performing loans for the three months ended March 31, 2014 and 2013 totaling $1.0 million and $3.0 million, respectively have been excluded. Interest income on loans includes the effect of deferred loan fees and costs accounted for as yield adjustments, but does not include interest on loans for which BWFG has ceased to accrue interest. 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 March 31, 2014 and 2013 was $7.3 million and $6.2 million, respectively. The net interest margin declined 19 basis points to 3.97% for the three months ended March 31, 2014, compared to the same period in 2013 due primarily to the effects of the low interest rate environment. While BWFG has experienced significant growth in average loan balances, in the current

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low interest rate environment, market yields on new loan originations are below the average yield of BWFG’s existing loan portfolio. Due to the combined effect of new loan growth and the runoff of higher yielding loan balances, management anticipates that interest rates on total earning assets will continue to decline. The impact of this trend is likely to exceed the benefit to be realized in reduced funding costs, resulting in modestly lower net interest margin results in the near term.

FTE basis interest income for the three months ended March 31, 2014 increased by $1.2 million, or 18%, to $8.0 million, compared to FTE basis interest income for the three months ended March 31, 2013 due primarily to loan growth in the commercial real estate and commercial business portfolios. Average interest-earning assets were $731.0 million for the three months ended March 31, 2014, up by $137.8 million from the same period in 2013. The average balance of total loans increased $117.7 million, or 22%, contributing $1.4 million to the increase in interest income. Commercial real estate and commercial business loan average balances grew by $47.5 million and $38.0 million, respectively. Partially offsetting the increase in interest income due to volume was a 17 basis point decrease in the weighted average yield earned on BWFG’s loan portfolio due to a lower interest rate environment, which caused a reduction of $275 thousand in interest income.

Interest expense for the three months ended March 31, 2014, increased by $124 thousand, or 21%, compared to interest expense for the three months ended March 31, 2013 due to a $101.6 million increase in the average balances of interest-bearing liabilities. Average balances of total funding liabilities for the three months ended March 31, 2014, increased by $146.4 million, or 27%, from the same period in 2013, primarily due to higher average balances in money market and time accounts, while the weighted average cost declined two basis points to 0.42%.

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Average Balance Sheet, FTE basis Interest and Average Yields/Rates

The following table presents the average balances and yields earned on interest-earning assets and the average balances and weighted average rates paid on BWFG's funding liabilities for the three months ended March 31, 2014 and 2013. Such yields and costs are derived by dividing annualized income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively, for the periods presented.

	Three Months Ended March 31,					
	2014			2013		
(Dollars in thousands)	**Average Balance**	**Interest**	**Yield / Rate**	**Average Balance**	**Interest**	**Yield / Rate**
Assets:						
Cash and Fed funds sold	$ 32,699	$ 22	0.27%	$ 16,986	$ 10	0.25 %
Securities (1)	47,782	501	4.20	43,815	451	4.12
Loans: (2)						
Commercial real estate	327,512	4,193	5.12	280,043	3,600	5.14
Residential real estate	156,069	1,395	3.58	143,814	1,405	3.91
Construction (3)	49,318	531	4.30	33,443	409	4.89
Commercial business	98,061	1,170	4.77	60,103	791	5.26
Home equity	14,207	127	3.62	10,531	96	3.70
Consumer	545	13	9.32	66	2	10.78
Total loans	645,712	7,429	4.60	528,000	6,303	4.77
Federal Home Loan Bank stock	4,834	18	1.50	4,450	4	0.36
Total earning assets	731,027	$ 7,970	4.36%	593,251	$ 6,768	4.56 %
Other assets	38,273			13,590		
Total assets	$ 769,300			$ 606,841		
Liabilities and shareholders' equity:						
Deposits:						
Noninterest-bearing	$ 123,232	$ —	— %	$ 78,457	$ —	— %
NOW	52,596	13	0.10	33,542	12	0.14
Money market	170,901	180	0.43	95,315	91	0.39
Savings	107,971	82	0.31	132,599	154	0.47
Time	183,664	347	0.77	121,821	182	0.61
Total deposits	638,364	622	0.40	461,734	439	0.39
Federal Home Loan Bank advances	49,733	93	0.76	79,989	152	0.77
Total funding liabilities	688,097	$ 715	0.42%	541,723	$ 591	0.44 %
Other liabilities	10,887			5,831		
Shareholders' equity	70,316			59,287		
Total liabilities and shareholders' equity	$ 769,300			$ 606,841		
Net interest income (4)		$ 7,255			$ 6,177	
Interest rate spread			3.94%			4.12 %
Net interest margin (5)			3.97%			4.16 %

(1)

- Average balances and yields for securities are based on amortized cost.

(2)

- Average balances and yields for loans exclude nonperforming loans.

(3)

- Includes commercial and residential real estate construction.

(4)

- The adjustment for securities and loans taxable equivalency amounted to $109 thousand and $92 thousand, respectively, for the three months ended March 31, 2014 and 2013.

(5)

- Annualized net interest income as a percentage of earning assets.

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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.

	Three Months Ended March 31, 2014 vs 2013 Increase (Decrease)		
(In thousands)	**Volume**	**Rate**	**Total**
Interest and dividend income:			
Cash and Fed funds sold	$ 11	$ 1	$ 12
Securities	41	9	50
Loans:			
Commercial real estate	608	(15)	593
Residential real estate	114	(124)	(10)
Construction	176	(54)	122
Commercial business	459	(80)	379
Home equity	33	(2)	31
Consumer	11	—	11
Total loans	1,401	(275)	1,126
Federal Home Loan Bank stock	1	13	14
Total change in interest and dividend income	1,454	(252)	1,202
Interest expense:			
Deposits:			
NOW	5	(4)	1
Money market	79	10	89
Savings	(25)	(47)	(72)
Time	109	56	165
Total deposits	168	15	183
Federal Home Loan Bank advances	(56)	(3)	(59)
Total change in interest expense	112	12	124
Change in net interest income	$ 1,342	$ (264)	$ 1,078

Provision for Loan Losses

The provision for loan losses is based on management's periodic assessment of the adequacy of allowance for loan losses which, in turn, is based on such interrelated factors as the composition of the 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 BWFG's allowance for loan losses and reflects management's best estimate of probable losses inherent in BWFG's loan portfolio at the balance sheet date.

Under accounting standards for business combinations, acquired loans are recorded at fair value with no loan loss allowance on the date of acquisition. A provision for loan losses will be recorded for the emergence of new probable and estimable losses on acquired loans which were not impaired as of the acquisition date. As of and for the three months ended March 31, 2014, there was no provision or allowance for loan losses related to the loan portfolio that we acquired from The Wilton Bank on November 5, 2013 for this reason.

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The provision for loan losses for the three months ended March 31, 2014 was $211 thousand compared to $190 thousand provision for loan losses for the three months ended March 31, 2013. For further information, see sections titled Asset Quality and Allowance for Loan Losses.

Noninterest Income

The following table compares noninterest income for the three months ended March 31, 2014 and 2013.

	Three Months Ended March 31,		Change	
(Dollars in thousands)	2014	2013	$	%
Service charges and fees	$ 132	$ 101	$ 31	31 %
Gains and fees from sales and referrals of loans	428	8	420	5,250
Bank owned life insurance	85	—	85	100
Gain on sale of foreclosed real estate	—	71	(71)	100
Other	124	104	20	19
Total noninterest income	$ 769	$ 284	$ 485	171 %

Noninterest income increased $485 thousand to $769 thousand for the three months ended March 31, 2014 compared to the same period in 2013, reflecting an increase in gains recorded on sales of loan and income earned on bank-owned life insurance. During the three months ended March 31, 2014, BWFG recorded income of $413 thousand on the sale of $14.9 million commercial real estate loans and $15 thousand on the sale of $1.1 million residential real estate loans. In the fourth quarter of 2013, BWFG purchased $10.0 million in life insurance coverage and during the quarter ended March 31, 2014, the cash surrender value increased by $85 thousand, which is recorded as noninterest income.

Noninterest Expense

The following table compares noninterest expense for the three months ended March 31, 2014, and 2013.

	Three Months Ended March 31,		Change	
(Dollars in thousands)	2014	2013	$	%
Salaries and employee benefits	$ 3,337	$ 2,492	$ 845	34 %
Occupancy and equipment	1,068	772	296	38
Professional services	369	369	—	—
Data Processing	337	256	81	32
Marketing	110	128	(18)	(14)
Merger and acquisition related expenses	141	—	141	100
FDIC insurance	118	130	(12)	(9)

	Three Months Ended March 31,		Change	
Director fees	138	139	(1)	(1)
Foreclosed real estate	14	—	14	100
Amortization of intangibles	27	—	27	100
Other	382	312	70	22
Total noninterest expense	$ 6,041	$ 4,598	$ 1,443	31 %

Noninterest expense increased $1.4 million to $6.0 million for the three months ended March 31, 2014 compared to the same period in 2013. The largest component of the total increase was salaries and employee benefits, primarily reflecting higher staffing levels, incentive accruals and equity-based compensation expense. The increase in occupancy and equipment expense largely reflects investments related to technology and other equipment as well as costs related to the new Wilton location acquired in November, 2013 and the relocation of two branch locations. Data processing costs have increased reflecting higher transaction volume. Merger and acquisition related expenses during the first quarter 2014 primarily reflect costs associated with the definitive merger agreement with Quinnipiac signed on March 31, 2014.

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Income Tax Expense

Income tax expense for the three months ended March 31, 2014 and 2013 totaled $540 thousand and $569 thousand, respectively. The effective tax rates for the three months ended March 31, 2014 and 2013, were 32.5%,and 36.0%, respectively. The decrease in the effective tax rate reflects increases in nontaxable income, including bank-owned life insurance.

Financial Condition

Summary

At March 31, 2014, total assets were $812.1 million, a $32.4 million, or 4%, increase over December 31, 2013. Total loans outstanding and total deposits continued to show momentum during the first quarter and totaled $657.2 million and $679.2 million, respectively at March 31, 2014. Credit quality remained strong, with nonperforming assets to total assets of 0.36% and the allowance for loan losses to total loans was 1.31% Total shareholders' equity at March 31, 2014 and December 31, 2013 was $71.1 million and $69.5 million, respectively. Tangible book value was $15.79 per share at March 31, 2014 compared to $15.46 per share at December 31, 2013.

Loan Portfolio

Bankwell Bank originates commercial and residential real estate loans, including construction loans, commercial business loans, home equity and other consumer loans. Lending activities are primarily conducted within the market of Fairfield County and the surrounding Connecticut region. The loan portfolio is the largest category of its earning assets. Loans acquired in connection with the Wilton acquisition in November 2013 are referred to as "acquired" loans as a result of the manner in which they are accounted for. All other loans are referred to as "originated" loans. Accordingly, selected disclosures that follow are presented separately for the originated loan portfolio and the acquired loan portfolio.

Total loans before deferred loan fees were $657.2 million at March 31, 2014, up by $25.1 million, or 4%, from December 31, 2013. Commercial real estate and commercial business loans have experienced the most significant growth, up by $15.5 million and $9.6 million, respectively.

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

(In thousands)	**March 31, 2014**			**December 31, 2013**			**Change**
	Originated	**Acquired**	**Total**	**Originated**	**Acquired**	**Total**	**Total**
Real estate loans:							
Residential	$ 158,905	$ —	$ 158,905	$ 155,874	$ —	$ 155,874	$ 3,031
Commercial	323,849	8,158	332,007	305,823	9,939	315,762	16,245
Construction	44,158	4,838	48,996	44,187	7,308	51,495	(2,499)
Home equity	9,734	3,815	13,549	9,625	3,872	13,497	52
	536,646	16,811	553,457	515,509	21,119	536,628	16,829
Commercial business	100,701	2,453	103,154	92,173	2,374	94,547	8,607
Consumer	67	483	550	225	612	837	(287)
Total loans	$ 637,414	$ 19,747	$ 657,161	$ 607,907	$ 24,105	$ 632,012	$ 25,149

Asset Quality

Acquired loans are recorded at fair value and are categorized as performing regardless of their payment status. Therefore, some overall portfolio measures of asset performance are not comparable between periods as a result of The Wilton Bank acquisition.

Asset quality metrics remained strong through the first quarter of 2014. Nonperforming assets totaled $2.9 million and represented 0.36% of total assets at March 31, 2014, compared to $1.8 million and 0.23% of total assets at

December 31, 2013. Nonaccrual loans totaled $2.1 million at March 31, 2014, an increase of $1.1 million from December 31, 2013, due to the addition of one commercial real estate loan. The

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balance of foreclosed real estate remained unchanged and was $829 thousand at March 31, 2014 and December 31, 2013, consisting of four residential lots that were acquired from Wilton. There were three accruing troubled debt restructured loans, with a balance of $1.6 million at March 31, 2014 and December 31, 2013.

The following table presents nonperforming assets and additional asset quality data for the dates indicated:

	At March 31, 2014			At December 31, 2013		
(In thousands)	**Originated**	**Acquired**	**Total**	**Originated**	**Acquired**	**Total**
Nonaccrual loans:						
Real estate loans:						
Residential	$ 984	$ —	$ 984	$ 1,003	$ —	$ 1,003
Commercial	1,117	—	1,117	—	—	—
Construction	—	—	—	—	—	—
Home equity	—	—	—	—	—	—
Commercial business	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total non accrual loans	$ 2,101	$ —	$ 2,101	$ 1,003	$ —	$ 1,003
Property acquired through foreclosure or repossession, net	—	829	829	—	829	829
Total nonperforming assets	$ 2,101	$ 829	$ 2,930	$ 1,003	$ 829	$ 1,832
Nonperforming assets to total assets	0.26 %	0.10 %	0.36 %	0.13 %	0.11 %	0.23 %
Nonaccrual loans to total loans	0.33 %	0.00 %	0.32 %	0.16 %	0.00 %	0.16 %
Total past due loans to total loans	0.35 %	18.01%	0.88 %	0.16 %	15.02%	0.73 %
Accruing loans 90 days or more past due	$ —	$ 1,747	$ 1,747	$ —	$ 3,620	$ 3,620

Allowance for Loan Losses

Establishing an appropriate level of allowance for loan losses, or the allowance, necessarily involves a high degree of judgment. BWFG uses a methodology to systematically measure the amount of estimated loan loss exposure inherent in the loan portfolio for purposes of establishing a sufficient allowance for loan losses. BWFG evaluates the adequacy of the allowance at least quarterly. The allowance for loan losses is management's best estimate of the probable loan losses inherent in the loan portfolio as of the balance sheet date. The allowance is increased by provisions charged to earnings and by recoveries of amounts previously charged off, and is reduced by charge-offs on loans.

At March 31, 2014, the allowance for loan losses was $8.6 million and represented 1.31% of total loans, compared to $8.4 million, or 1.33% of total loans, at December 31, 2013. The net increase in the allowance primarily reflects the quarterly provision of $211 thousand and net recoveries of $10 thousand. The carrying amount of total impaired loans at March 31, 2014 and December 31, 2013 was $3.7 million and the amount of related allowance totaled $144 thousand and $145 thousand, respectively. At March 31, 2014 and December 31, 2013, impaired loans consisted of one residential mortgage loan, one substandard commercial mortgage loan and three performing troubled debt restructured loans.

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The following tables present the activity in BWFG's allowance for loan losses and related ratios for the dates indicated:

(Dollars in thousands)	Three Months Ended March 31, 2014	2013
Balance at beginning of period	$ 8,382	$ 7,941
Charge-offs:		
Consumer	—	(2)
Total charge-offs	—	(2)
Recoveries:		
Consumer	10	5
Total recoveries	10	5
Net recoveries (charge-offs)	10	3
Provision charged to earnings	211	190
Balance at end of period	$ 8,603	$ 8,134
Net recoveries (charge-offs) to average loans	0.01 %	0.00 %
Allowance for loan losses to total loans	1.31 %	1.46 %

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

(Dollars in thousands)	At March 31, 2014 Amount	Percent of Loan Portfolio	At December 31, 2013 Amount	Percent of Loan Portfolio
Residential real estate	$ 1,298	24.18 %	$ 1,310	24.66 %
Commercial real estate	3,767	50.52	3,616	50.08
Construction	1,012	7.46	1,032	8.16
Home equity	192	2.06	190	2.20
Commercial business	2,331	15.70	2,225	14.80
Consumer	3	0.08	9	0.10
Unallocated	—	—	—	—
Total allowance for loan losses	$ 8,603	100.00%	$ 8,382	100.00%

The allocation of the allowance for loan losses at December 31, 2013 reflects management's assessment of credit risk and probable loss within each portfolio. Management believes that the level of the allowance for loan losses at March 31, 2014 is appropriate to cover probable losses.

Investment Securities

At March 31, 2014, the carrying value of the investment securities portfolio totaled $49.3 million and represented 6% of total assets, compared to $42.4 million and 5% of total assets at December 31, 2013. The increase of $6.9 million, or 16%, primarily reflects purchases of U.S. Government agency obligations, corporate and municipal bonds totaling $7.2 million. BWFG purchases investment grade securities with a focus on earnings, duration exposure and for use as collateral for public funds. There were no sales of available-for-sale investment securities during the first quarter of 2014.

The net unrealized gain position on the investment portfolio at March 31, 2014 and December 31, 2013 was $988 thousand and $695 thousand, respectively and included gross unrealized losses of $258 thousand and $349 thousand, respectively. The gross unrealized losses were concentrated in U.S. Government and agency obligations, reflecting interest rate fluctuation. At March 31, 2014, management determined that there had been no deterioration in credit quality subsequent to purchase and believe that all unrealized losses are temporary. All of BWFG’s investment securities are investment grade.

Sources of Funds

Total deposits were $679.2 million at March 31, 2014, an increase of $17.7 million, or 3%, from balance at December 31, 2013 reflecting growth in money market accounts and time deposits generated from the

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Certificate of Deposit Account Registry Service, or CDARS, network, partially offset by a decrease in NOW accounts. CDARS time deposits increased by $11.7 million, or 39%, from year-end 2013, reflecting an increase in one-way buy transactions.

BWFG utilizes advances from the Federal Home Loan Bank of Boston, or FHLBB, as part of its overall funding strategy and to meet short-term liquidity needs. Total FHLBB advances were $59.0 million at March 31, 2014 compared to $44.0 million at December 31, 2013. The increase of $15 million, or 34%, reflects normal operating fluctuation in borrowings.

Liquidity

BWFG is required to maintain levels of liquid assets sufficient to ensure safe and sound operation. Liquidity is defined as the ability to generate sufficient cash flows to meet all present and future funding requirements at reasonable costs. BWFG’s primary source of liquidity is deposits. Other sources of funding include discretionary use of FHLBB term advances and other borrowings, cash flows from investment securities portfolios, 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.

BWFG anticipates that it will have sufficient funds available to meet its current loan and other commitments. As of March 31, 2014, BWFG had cash and cash equivalents of $82.2 million and available-for-sale securities of $35.6 million. At March 31, 2014, outstanding commitments to originate loans totaled $69.3 million and undisbursed funds from approved lines of credit, home equity lines of credit and secured commercial lines of credit totaled $46.3 million. Time deposits, including CDARS, scheduled to mature in one year or less at March 31, 2014 totaled $175.9 million. Historically, BWFG’s deposit flow history has been that a significant portion of such deposits remain with BWFG.

Capital Resources

Total shareholders’ equity was $71.1 million at March 31, 2014 compared to $69.5 million at December 31, 2013. The increase of $1.6 million primarily reflected net income of $1.1 million for the three months ended March 31, 2014. The ratio of total equity to total assets was 8.76% at March 31, 2014, which compares to 8.91% at December 31, 2013.

Bankwell 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 March 31, 2014, Bankwell Bank, met all capital adequacy requirements to which they were subject and exceeded the regulatory minimum capital levels to be considered well-capitalized under the regulatory framework for prompt corrective action. At March 31, 2014, Bankwell Bank’s ratio of total capital to risk-weighted assets was 10.74%, Tier 1 capital to risk-weighted assets was 9.49% and Tier 1 capital to average assets was 7.91%.

On May 15, 2014, Bankwell Financial Group, Inc. priced 2,702,703 common shares in its initial public offering (“IPO”) at $18.00 per share, and on May 15, 2014, Bankwell common shares began trading on the Nasdaq Stock Market (ticker symbol: BWFG). The net proceeds from the IPO were approximately $44.9 million, after deducting the underwriting discount of approximately $2.5 million and approximately $1.3 million of expenses.

Interest Rate Sensitivity Analysis

BWFG measures 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. IRR is managed 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 us. Because income simulations assume that BWFG’s balance sheet will remain static over the simulation horizon, the results do not reflect adjustments in strategy that the ALCO could implement in response to rate shifts.

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BWFG uses two sets of standard scenarios to measure net interest income at risk. For the "core" scenario, 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 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.

The following tables set forth the estimated percentage change in net interest income at risk over one-year simulation periods beginning March 31, 2014 and December 31, 2013.

Parallel Ramp Rate Changes (basis points)	**Estimated Percent Change in Net Interest Income**	
	March 31, 2014	**December 31, 2013**
-100	(0.82)%	(0.73)%
+200	(4.40)	(3.63)

Parallel Shock Rate Changes (basis points)	**Estimated Percent Change in Net Interest Income**	
	March 31, 2014	**December 31, 2013**
-100	(2.13)%	(1.97)%
+100	(4.25)	(3.18)
+200	(7.20)	(5.93)
+300	(11.57)	(10.20)

BWFG conducts economic value of equity at risk simulation in tandem with net interest income simulations, to ascertain a longer term view of its interest rate risk position by capturing longer-term re-pricing risk and options risk embedded in the balance sheet. It measures the sensitivity of economic value of equity to changes in interest rates. Economic value of equity at risk simulation values only the current balance sheet and does not incorporate the growth assumptions used in income simulation. As with the net interest income simulation, this simulation captures product characteristics such as loan resets, re-pricing 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. BWFG conducts non-maturity deposit behavior studies on a periodic basis to support deposit assumptions used in the valuation process. 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 BWFG's economic value of equity at risk, assuming various shifts in interest rates.

Parallel Shock Rate Changes (basis points)	**Estimated Percent Change in Economic Value of Equity**	
	March 31, 2014	**December 31, 2013**

Parallel Shock	Estimated Percent Change in Economic Value of Equity	
-100	(4.00)%	(4.30)%
+100	(8.20)	(9.30)
+200	(15.90)	(20.10)
+300	(22.70)	(29.20)

BWFG's interest rate position continues to remain liability sensitive. The sensitivity intensified somewhat during the quarter ended March 31, 2014 due to the increase in rate sensitive money market deposit account balances and short-term FHLBB advances. In February 2014, BWFG entered into a

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$25 million interest rate swap effective April 1, 2014, slightly diminishing its liability sensitive position. Bankwell Bank remains within all internally established policies for interest rate risk and the economic value of equity calculation.

Selected Financial Information As of December 31, 2013 and 2012 and For the Years Ended December 31, 2013, 2012 and 2011.

Executive Overview

During 2013, BWFG experienced record earnings with strong momentum in BWFG's deposit and loan growth. Total revenues increased by 39% over 2012 reflecting a strong net interest margin of 3.94% (a performance ratio measuring net interest income as a percentage of average interest-earning assets) and noninterest income gains of 1,269%. At December 31, 2013, total assets were $779.6 million, an increase of $169.6 million, or 28%, from December 31, 2012. Net loans increased $101.0 million, or 19%, after reflecting sales of $72.6 million, since December 31, 2012. Net loans totaled $621.8 million at December 31, 2013 and deposits totaled $661.5 million, up by $199.4 million, or 43%, for the same period. During fiscal year 2012, assets increased 28% to $610.0 million and loans and deposits increased 44% and 26%, respectively, from December 31, 2011.

BWFG is focused on becoming the "Hometown" bank in the market it serves. BWFG aims to generate long-term growth for its shareholders and is undertaking several key strategic initiatives to achieve this objective. Over the past 24 months, these strategic initiatives have included:

- Augmenting BWFG's management team with a new Chief Executive Officer and Chief Operating Officer;
- Acquiring The Wilton Bank, adding approximately $70.9 million of assets and approximately $64.2 million of deposits to BWFG's balance sheet;
- Hiring new lending officers and supporting growth in BWFG's commercial business lending function;
- Completing a core system conversion, which BWFG believes will provide operating efficiencies and cost savings and broader product capabilities in future periods; and
- Adding cash management services and launching Bankwell Investment Services through an agreement with an investment brokerage firm to provide on-site wealth management specialists who can generate fee-based revenue.

The primary measures BWFG uses to evaluate and manage BWFG's financial results are set forth in the table below. Although BWFG believe these measures are meaningful in evaluating BWFG's results and financial condition, they may not be directly comparable to similar measures used by other financial services companies and may not provide an appropriate basis to compare BWFG's results or financial condition to the results or financial condition of BWFG's competitors. The following table sets forth the key financial measures BWFG uses to evaluate the success of BWFG's business and BWFG's financial position and operating performance.

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(Dollars in thousands, except per share data)	Key Financial Measures (a) At or For the Years Ended December 31, 2013		2012		2011	
Selected balance sheet measures:						
Total assets	$ 779,618		$ 610,016		$ 477,355	
Gross portfolio loans (b)	632,012		530,050		369,294	
Deposits	661,545		462,081		367,115	
Borrowings	44,000		91,000		58,000	
Total equity	69,485		51,534		49,188	
Selected statement of income measures:						
Total revenue (c)	30,049		21,550		18,851	
Net interest income before provision for loan losses	25,327		21,205		17,717	
Income before income tax	7,345		1,871		3,201	
Net income	5,161		1,214		2,204	
Basic earnings per share	1.46		0.39		0.72	
Diluted earnings per share	1.44		0.38		0.71	
Other financial measures and ratios:						
Return on average assets (d)	0.77	%	0.22	%	0.50	%
Return on average common shareholders' equity (d)	9.89	%	3.07	%	6.70	%
Net interest margin	3.94	%	4.11	%	4.27	%
Efficiency ratio (c)	75.72	%	82.76	%	78.50	%
Tangible book value per share (end of period) (c) (e)	$ 15.46		$ 14.50		$ 13.85	
Net charge-off's to average loans (b)	0.03	%	0.07	%	0.02	%
Nonperforming assets to total assets (f)	0.23	%	0.81	%	0.78	%
Allowance for loan losses to nonperforming loans	835.69	%	200.84	%	171.88	%
Allowance for loan losses to total loans (b)	1.33	%	1.50	%	1.74	%

(a)

- BWFG has derived the selected balance sheet measures as of December 31, 2013 and 2012 and the selected statement of income measures for the years ended December 31, 2013, 2012 and 2011 from BWFG's audited consolidated financial statements included elsewhere in this prospectus. BWFG has derived the selected balance sheet measures as of December 31, 2011 from BWFG's audited consolidated statement of financial condition not included in this prospectus. The other financial measures and ratios are unaudited and derived from the financial statements as of and for the years presented. Average balances have been computed using daily averages. BWFG's historical results may not be indicative of BWFG's results for any future period.

(b)

- Calculated using the principal amounts outstanding on loans.

(c)

- This measure is not a measure recognized under GAAP and is therefore considered to be a non-GAAP financial measure. See “Non-GAAP Financial Measures” for a description of this measure and a reconciliation of this measure to its most directly comparable GAAP measure.

(d)

- Calculated based on net income before preferred stock dividends and net accretion.

(e)

- Excludes preferred stock and unvested restricted stock awards.

(f)

- Nonperforming assets consist of nonperforming loans and other real estate owned.

QBT Acquisition

On March 31, 2014, BWFG entered into the merger agreement with QBT. QBT has one branch located in Hamden, Connecticut, and has received FDIC and Banking Department approval to open a second branch in the neighboring town of North Haven. Both towns are in New Haven County, Connecticut, which will represent a new market for BWFG. At December 31, 2013, QBT had approximately $100 million in assets, $87 million in deposits and loans of $83 million.

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Total consideration for the acquisition is expected to be comprised of BWFG's common stock (75%) and cash (25%). The total consideration to be paid to Quinnipiac shareholders, based on the closing price of a share of BWFG's common stock on the OTCBB on March 31, 2014, is approximately $15 million. Pursuant to the merger agreement, each outstanding share of QBT will be converted at the election of the holder into the right to receive 0.56 shares of BWFG's common stock, or $12.00 in cash, subject to pro rata adjustments to meet the proportion of stock and cash consideration described above. Outstanding options to purchase Quinnipiac shares will be exchanged for options in BWFG's common stock adjusted for the 0.56 fixed exchange ratio. The exercise price per share of BWFG's common stock under the new option shall be equal to the exercise price per share of QBT common stock subject to the QBT stock option divided by the 0.56 fixed exchange ratio. Outstanding warrants held by founders of QBT will be automatically converted into a warrant to purchase 0.56 shares of BWFG's common stock for $17.86. Upon consummation of the transaction, QBT will be merged into Bankwell Bank. Upon effectiveness of the merger, BWFG has agreed to increase the number of BWFG's directors and of the directors of Bankwell Bank by one, such positions to be filled by the same individual, who will be selected by BWFG's board of directors after consulting with QBT. Additionally, change in control payments will be made to QBT's President and Chief Executive Officer, Mark Candido, and QBT's Chief Lending Officer and Executive Vice President, Richard Barredo, in an amount equal to $331,021 and $300,425, respectively.

The Wilton Bank Acquisition

On November 5, 2013, BWFG acquired all of the outstanding common shares of The Wilton Bank. The Wilton Bank was a state chartered commercial bank located in Wilton, Connecticut, which operated as one branch. As a result of the transaction, The Wilton Bank merged into Bankwell Bank. This business combination expanded BWFG's presence in Fairfield County and enhanced opportunities for businesses, customer relationships, employees and the communities BWFG serves.

In July 2010, The Wilton Bank agreed to the issuance of a formal, written consent agreement, or the Consent Agreement, with the FDIC and the Connecticut Department of Banking. Under the terms of the Consent Agreement, The Wilton Bank was required to maintain its Tier 1 capital ratio at least equal to 12% of total assets, Tier 1 risk-based capital at least equal to 12% of total risk-weighted assets, and total risk-based capital at least equal to 15% of total risk-weighted assets. The Wilton Bank was in compliance with all terms except the Tier 1 capital ratio as of the acquisition date, at which time the Consent Agreement ceased to apply and is not binding on BWFG. As a result of a decline in their business and regulatory restrictions, The Wilton Bank had not been profitable since 2008. Without these regulatory restrictions, BWFG expects to be able to effectively deploy and use The Wilton Bank's excess liquidity.

On the acquisition date, The Wilton Bank had shareholders' equity of $6.3 million, with a book value per share of $17.00. As part of the acquisition, The Wilton Bank shareholders received $13.50 per share resulting in an aggregate deal value of $5.0 million. In accordance with applicable accounting guidance, the amount paid was allocated to the fair value of the net assets acquired, with any excess amounts recorded as goodwill. If the fair value of the net assets is greater than the amount paid, the excess amount is recorded to noninterest income as a gain on the purchase. BWFG recorded a gain of $1.3 million in conjunction with the acquisition, representing the amount that the net assets exceeded the amount paid. Fair values of certain balance sheet items were cash of $35.9 million, loans of $25.1 million and deposits of $64.2 million. The results of The Wilton Bank's operations have been included in BWFG's Consolidated Statement of Income from the acquisition date.

Earnings Overview

2013 Earnings Summary

BWFG's net income for the year ended December 31, 2013 was $5.2 million, an increase of $3.9 million, or 325%, compared to the year ended December 31, 2012. BWFG's returns on average equity and average assets for the year ended December 31, 2013, were 8.17% and 0.77%, respectively, compared to 2.40% and 0.22%, respectively for same period in 2012. Net income available to common shareholders for the year ended December 31, 2013, was $5.1 million, or $1.44 per diluted share, compared to net income available to common shareholders of $1.1 million, or $0.38 per diluted share, for the year ended December 31, 2012.

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BWFG's strong improvement in net income for 2013 compared to 2012 was due primarily to strong commercial loan growth, solid asset quality metrics, sales of investment securities and efforts to diversify BWFG's revenue sources through sales of commercial loans for the first time during 2013. The increase in net income reflects these factors through increases in net interest income and noninterest income as well as a lower provision for loan losses, partially offset by higher noninterest expenses. While BWFG's net interest income increased due to strong loan growth and a reduction in BWFG's cost of funds, BWFG's net interest margin decreased 17 basis points to 3.94% for the year ended December 31, 2013 compared to the year ended December 31, 2012 reflecting the current interest rate environment in which market yields on new loan growth have been below the average yield of the existing portfolio. The increase in noninterest expenses was mainly due to higher salaries and employee benefits, reflecting staffing additions and higher incentive accruals, occupancy and equipment expense, attributable to costs related to branch relocations and investments in technology and equipment as well as marketing expenses, including BWFG's rebranding efforts. Additionally, in connection with BWFG's purchase of The Wilton Bank, BWFG recorded a bargain purchase gain in the amount of $1.3 million, which more than offset the merger and acquisition-related expenses of $908 thousand that BWFG recognized in 2013.

BWFG's efficiency ratio was 75.72% for the year ended December 31, 2013 compared to 82.76% for the year ended December 31, 2012. The improvement in BWFG's efficiency ratio was attributable to BWFG's increased operating leverage as BWFG continued to grow its asset base and expand its noninterest income sources despite increases in BWFG's noninterest expense. See "Non-GAAP Financial Measures" for a reconciliation of efficiency ratio to comparable GAAP financial measures.

2012 Earnings Summary

BWFG's net income for the year ended December 31, 2012, was $1.2 million, a decrease of $1.0 million, or 45%, from net income of $2.2 million for the year ended December 31, 2011 due primarily to costs tied to a number of BWFG's strategic initiatives and a higher provision for loan losses, mostly offset by higher net interest income. BWFG's returns on average equity and average assets for the year ended December 31, 2012 were 2.4% and 0.22%, respectively, compared to 5.03% and 0.50%, respectively for the year ended December 31, 2011. Net income available to common shareholders was $1.1 million, or $0.38 per diluted share for the year ended December 31, 2012, compared to $2.0 million, or $0.71 per diluted share for the year ended December 31, 2011.

BWFG's net interest income for the year ended December 31, 2012, increased by $3.5 million, or 20% over net interest income for the year ended December 31, 2011, due primarily to growth in average loan balances. BWFG's net interest margin was 4.11% for the year ended December 31, 2012, compared to net interest margin of 4.27% reported in 2011. The decrease in net interest margin was due primarily to the effect of the lower interest rate environment. BWFG's provision for loan losses for the year ended December 31, 2012, was $1.8 million, an increase of $772 thousand from BWFG's provision for loan losses for 2011, reflecting BWFG's significant loan growth during 2012. In 2012, net charge-offs totaled $305 thousand, or 0.07% of total average loans, compared to $64 thousand, or 0.02% of total average loans in 2011.

BWFG's noninterest income for the year ended December 31, 2012 decreased by $789 thousand, or 70%, from noninterest income for 2011. This decrease was primarily attributable to lower gains and fees from sales of loans and investment securities tied to low levels of loan sale activity and prior year gains on sales of securities. BWFG's noninterest expenses for the year ended December 31, 2012, increased by $3.3 million, or 22%, compared to noninterest expense for 2011 due, in large part, to the commencement of various strategic initiatives to support BWFG's future growth plans. These strategic initiatives generated several non-recurring expenses involving salaries and operations as BWFG hired a new Chief Executive Officer prior to the departure of BWFG's former Chief Executive Officer, BWFG made a strong commitment to elevating BWFG's technology platform, and BWFG engaged consultants to support efforts to grow BWFG's community bank model. Additionally, BWFG experienced an operating loss related to wire fraud during 2012 of $478 thousand, which BWFG has since partially recovered. BWFG's income tax expense was $657 thousand for the year ended December 31, 2012, representing a decrease of $340 thousand from income tax expense for 2011. The effective tax rate for the year ended December 31, 2012 was 35.1%, compared to 31.1% for the year ended December 31, 2011, primarily due to increased state tax expense and share-based compensation expense.

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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 BWFG’s 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. The following tables and discussion present net interest income on a fully taxable equivalent, or FTE basis, by adjusting income and yields on tax-exempt loans and securities to be comparable to taxable loans and securities. BWFG converts tax-exempt income to a 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 and, for loans, only include performing loans. Average balances of non-performing loans for the years ending December 31, 2013, 2012 and 2011 totaling $2.9 million, $4.5 million and $2.9 million, respectively have been excluded. Interest income on loans includes the effect of deferred loan fees and costs accounted for as yield adjustments, but does not include interest on loans for which BWFG has ceased to accrue interest. Premium amortization and discount accretion are included in the respective interest income and interest expense amounts.
Year ended December 31, 2013 compared to year ended December 31, 2012
FTE net interest income for the years ended December 31, 2013 and 2012 was $25.7 million and $21.6 million, respectively. BWFG’s net interest margin declined 17 basis points to 3.94% for the year ended December 31, 2013, compared to the same period in 2012 due primarily to the effects of the low interest rate environment. While BWFG has experienced significant growth in average loan balances, in the current low interest rate environment, market yields on new loan originations are below the average yield of BWFG’s existing loan portfolio. Due to the combined effect of new loan growth and the runoff of higher yielding loan balances, BWFG anticipates that interest rates on total earning assets will continue to decline. The impact of this trend is likely to exceed the benefit to be realized in reduced funding costs, resulting in modestly lower net interest margin results in the near term.
FTE basis interest income for the year ended December 31, 2013 increased by $3.7 million to $28.5 million, or 15%, compared to FTE basis interest income for the year ended December 31, 2012 due primarily to loan growth in BWFG’s commercial real estate and commercial business portfolios. Average interest-earning assets were $651.7 million for the year ended December 31, 2013, up by $126.7 million from the year ended December 31, 2012. The average balance of total loans increased $122.4 million, or 27%, contributing $5.9 million to the increase in interest income. Commercial real estate loan average balances grew by $62.2 million due to strong origination activity reflecting BWFG’s ability to source quality opportunities and continued economic improvement in BWFG’s market. Partially offsetting the increase in interest income due to volume was a 33 basis point decrease in the weighted average yield earned on BWFG’s loan portfolio due to a lower interest rate environment, which caused a reduction of $1.6 million in interest income. Total average balance of securities for the year ended December 31, 2013 decreased by $15.4 million, or 27%, from the same period in 2012, reflecting maturities, principal paydowns and sales of $9.4 million of longer-term U.S. Government and agency obligations, partially offset by BWFG’s purchase of municipal bonds.
Interest expense for the year ended December 31, 2013, was reduced by $427 thousand, or 13%, compared to interest expense for 2012 due to a continued reduction in BWFG’s funding costs resulting from the sustained low interest rate environment. The weighted average cost of deposits declined 13 basis points to 0.43% due to BWFG’s measured approach of reducing deposit rates while still experiencing significant deposit growth. The weighted average cost of Federal Home Loan Bank of Boston, or FHLBB, advances declined by 57 basis points to 0.76%, also reflecting the low interest rate environment as higher cost advances matured or were paid off and new advances were utilized. Average funding liabilities for the year ended December 31, 2013, increased by $112.1 million, or 23%, from the year ended December 31, 2012, primarily due to higher average balances of $36.6 million in time deposits, $26.0 million in money market accounts and $17.6 million in noninterest-bearing deposits.

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The following table compares the average balances and yields earned on interest-earning assets and the average balances and weighted average rates paid on BWFG's funding liabilities for the years ended December 31, 2013 and 2012.

Years Ended December 31, (Dollars in thousands)	Average Balance		Change		Rate		Change
	2013	2012	$	%	2013	2012	%
Earning assets							
Cash and Fed funds sold	$ 35,599	$ 16,933	$ 18,666	110%	0.24%	0.21 %	0.03 %
Securities (1)	40,932	56,321	(15,389)	(27)	4.31	4.20	0.11
Loans: (2)							
Commercial real estate	299,142	236,934	62,208	26	5.06	5.45	(0.39)
Residential real estate	152,498	119,960	32,538	27	3.66	4.02	(0.36)
Construction (3)	38,073	34,177	3,896	11	4.63	5.13	(0.50)
Commercial business	69,252	44,220	25,032	57	5.34	5.36	(0.02)
Home equity	11,287	12,789	(1,502)	(12)	3.74	3.64	0.10
Consumer	308	80	228	285	5.98	12.50	(6.52)
Total loans	570,560	448,160	122,400	27	4.66	4.99	(0.33)
Federal Home Loan Bank stock	4,624	3,615	1,009	28	0.36	0.49	(0.13)
Total earning assets	$ 651,715	$ 525,029	$ 126,686	24 %	4.37%	4.72 %	(0.35)%
Funding liabilities							
Deposits:							
NOW	40,554	$ 31,490	$ 9,064	29 %	0.12%	0.14 %	(0.02)%
Money market	116,323	90,342	25,981	29	0.45	0.68	(0.23)
Savings	117,388	102,641	14,747	14	0.46	0.82	(0.36)
Time	158,996	122,350	36,646	30	0.72	0.71	0.01
Total interest-bearing	433,261	346,823	86,438	25	0.52	0.68	(0.16)
Noninterest-bearing	96,009	78,453	17,556	22	—	—	—
Total deposits	529,270	425,276	103,994	24	0.43	0.56	(0.13)
Federal Home Loan Bank advances	69,912	61,836	8,076	13	0.76	1.33	(0.57)
Total funding liabilities	$ 599,182	$ 487,112	$ 112,070	23 %	0.47%	0.66 %	(0.19)%

(1)

- Average balances and yields for securities are based on amortized cost

(2)

• Average balances and yields for loans exclude nonperforming loans

(3)

• Includes commercial and residential real estate construction loans

Year ended December 31, 2012 compared to year ended December 31, 2011

FTE net interest income totaled $21.6 million for the year ended December 31, 2012, compared to $18.1 million for the same period in 2011. BWFG's net interest margin declined 16 basis points to 4.11% in 2012 from 4.27% in 2011, primarily due to a 23 basis point reduction in the weighted average yield on BWFG's interest-earning assets, a result of the low interest rate environment on new asset growth and refinancing activity. Interest income for the year ended December 31, 2012, increased by $3.5 million, or 19%, compared to interest income for the 2011 fiscal year due to a $4.7 million increase in loan portfolio earnings, which was primarily in BWFG's commercial real estate portfolio and due to an increase in BWFG's average loan balances.

Average interest-earning assets were $525.0 million for the year ended December 31, 2012, representing an increase of $101.9 million from average interest-earning assets for 2011. During 2012, the average balance of total loans increased $126.4 million, or 39%, contributing $6.7 million of the increase in net interest income. Commercial real estate loan average balances grew by $96.4 million in 2012 due to strong origination activity reflecting BWFG's ability to source quality opportunities, the expansion of the number of lenders and continued economic improvement in BWFG's market. Partially offsetting the increase due to

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volume was a 49 basis point decrease in the weighted average yield earned on BWFG's loan portfolio due to the lower interest rate environment, which caused a decline of $2.0 million in net interest income. Total average securities for the year ended December 31, 2012 decreased by $24.3 million, or 30%, from 2011, largely reflecting sales of longer-term U.S. Government and agency obligations.

Interest expense increased by $322 thousand, or 11%, during 2012, due primarily to a $71.2 million increase in the average balance of interest-bearing deposits. Average funding liabilities for the year ended December 31, 2012 increased by $96.0 million, or 25%, from 2011, reflecting increases of $37.4 million and $29.4 million, respectively, in savings and money market deposits and $17.4 million in FHLBB advances. The weighted average rate paid on total funding liabilities, which includes noninterest-bearing deposits, was 0.66% for the year ended December 31, 2012, a seven basis point reduction from 2011. During 2012, the weighted average cost of FHLBB advances declined by 58 basis points to 1.33%, reflecting the sustained low interest rate environment, while the weighted average cost of deposits declined two basis points to 0.56%, reflecting BWFG's focus on deposit growth versus a cost reduction strategy.

The following table compares the average balances and yields earned on interest-bearing assets and weighted averages rates paid on BWFG's funding liabilities for the years ended December 31, 2012 and 2011.

Years Ended December 31, (Dollars in thousands)	Average Balance		Change		Rate		Change
	2012	2011	$	%	2012	2011	%
Earning assets							
Cash and Fed funds sold	$ 16,933	$ 17,401	$ (468)	(3)%	0.21 %	0.27 %	(0.06)%
Securities (1)	56,321	80,586	(24,265)	(30)	4.20	4.03	0.17
Loans: (2)							
Commercial real estate	236,934	140,536	96,398	69	5.45	6.00	(0.55)
Residential real estate	119,960	96,244	23,716	25	4.02	4.95	(0.93)
Construction (3)	34,177	34,118	59	0	5.13	5.57	(0.44)
Commercial business	44,220	35,246	8,974	25	5.36	5.63	(0.27)
Home equity	12,789	15,223	(2,434)	(16)	3.64	3.36	0.28
Consumer	80	393	(313)	(80)	12.50	10.43	2.07
Total loans	448,160	321,760	126,400	39	4.99	5.48	(0.49)
Federal Home Loan Bank stock	3,615	3,364	251	7	0.49	0.30	0.19
Total earning assets	$ 525,029	$ 423,111	$ 101,918	24 %	4.72 %	4.95 %	(0.23)%
Funding liabilities							
Deposits:							
NOW	$ 31,490	$ 30,288	$ 1,202	4 %	0.14 %	0.14 %	— %
Money market	90,342	60,941	29,401	48	0.68	0.83	(0.15)
Savings	102,641	65,223	37,418	57	0.82	0.81	0.01
Time	122,350	119,207	3,143	3	0.71	0.79	(0.08)
Total interest-bearing	346,823	275,659	71,164	26	0.68	0.73	(0.05)
Noninterest-bearing	78,453	70,964	7,489	11	—	—	—

	Average Balance		**Change**		**Rate**		**Change**
Total deposits	425,276	346,623	78,653	23	0.56	0.58	(0.02)
Federal Home Loan Bank advances	61,836	44,452	17,384	39	1.33	1.91	(0.58)
Total funding liabilities	$ 487,112	$ 391,075	$ 96,037	25 %	0.66 %	0.73 %	(0.07)%

(1)

- Average balances and yields for securities are based on amortized cost

(2)

- Average balances and yields for loans exclude nonperforming loans

(3)

- Includes commercial and residential real estate construction loans

Average balance sheet, FTE basis interest income, interest expense, average yields earned and rates paid
The following table presents average balance sheet information, FTE basis interest income, interest expense and the corresponding average yields earned and rates paid for the years ended December 31, 2013,
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2012 and 2011. Tax-exempt income is converted to a 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 and, for loans, only include performing balances. Average balances of non-performing loans for the years ended December 31, 2013, 2012 and 2011 totaling $2.9 million, $4.5 million and $2.9 million, respectively have been excluded. Interest income on loans includes the effect of deferred loan fees and costs accounted for as yield adjustments, but does not include interest on loans for which BWFG has ceased to accrue interest. Premium amortization and discount accretion are included in the respective interest income and interest expense amounts.

	Years ended December 31,								
	2013			2012			2011		
(Dollars in thousands)	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate
Assets:									
Cash and Fed funds sold	$35,599	$84	0.24%	$16,933	$35	0.21 %	$17,401	$47	0.27 %
Securities (1)	40,932	1,766	4.31	56,321	2,366	4.20	80,586	3,249	4.03
Loans: (2)									
Commercial real estate	299,142	15,124	5.06	236,934	12,919	5.45	140,536	8,434	6.00
Residential real estate	152,498	5,577	3.66	119,960	4,826	4.02	96,244	4,766	4.95
Construction (3)	38,073	1,763	4.63	34,177	1,752	5.13	34,118	1,899	5.57
Commercial business	69,252	3,699	5.34	44,220	2,370	5.36	35,246	1,983	5.63
Home equity	11,287	423	3.74	12,789	465	3.64	15,223	511	3.36
Consumer	308	18	5.98	80	10	12.50	393	41	10.43
Total loans	570,560	26,604	4.66	448,160	22,342	4.99	321,760	17,634	5.48
Federal Home Loan Bank stock	4,624	17	0.36	3,615	18	0.49	3,364	10	0.30
Total earning assets	651,715	$28,471	4.37%	525,029	$24,761	4.72 %	423,111	$20,940	4.95 %
Other assets	17,782			16,297			15,166		
Total assets	$669,497			$541,326			$438,277		
Liabilities and shareholders' equity:									
Deposits:									
Noninterest-bearing	$96,009	$—	— %	$78,453	$—	— %	$70,964	$—	— %
NOW	40,554	49	0.12	31,490	45	0.14	30,288	44	0.14
Money market	116,323	498	0.45	90,342	612	0.68	60,941	506	0.83
Savings	117,388	543	0.46	102,641	846	0.82	65,223	527	0.81
Time	158,996	1,143	0.72	122,350	864	0.71	119,207	946	0.79
Total deposits	529,270	2,233	0.43	425,276	2,367	0.56	346,623	2,023	0.58
Federal Home Loan Bank advances	69,912	532	0.76	61,836	825	1.33	44,452	847	1.91
Total funding liabilities	599,182	$2,765	0.47%	487,112	$3,192	0.66 %	391,075	$2,870	0.73 %
Other liabilities	7,173			3,642			3,350		
	63,142			50,572			43,852		

	Years ended December 31,		
Shareholders' equity			
Total liabilities and shareholders' equity	$669,497	$541,326	$438,277
Net interest income (4)	$25,706	$21,569	$18,070
Interest rate spread	3.90%	4.06 %	4.22 %
Net interest margin (5)	3.94%	4.11 %	4.27 %

(1)

- Average balances and yields for securities are based on amortized cost.

(2)

- Average balances and yields for loans exclude nonperforming loans.

(3)

- Includes commercial and residential real estate construction loans.

(4)

- The adjustment for securities and loans taxable equivalency was $379 thousand, $364 thousand and $353 thousand, respectively, for the years ended December 31, 2013, 2012 and 2011.

(5)

- Net interest income as a percentage of total earning assets.

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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.

	Year Ended December 31, 2013 vs 2012 Increase (Decrease)			**Year Ended December 31, 2012 vs 2011 Increase (Decrease)**		
(In thousands)	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest and dividend income:						
Cash and Fed funds sold	$ 44	$ 5	$ 49	$ (1)	$ (11)	$ (12)
Securities	(662)	62	(600)	(1,014)	131	(883)
Loans:						
Commercial real estate	3,198	(993)	2,205	5,318	(833)	4,485
Residential real estate	1,220	(469)	751	1,049	(989)	60
Construction	189	(178)	11	4	(151)	(147)
Commercial business	1,337	(8)	1,329	485	(98)	387
Home equity	(56)	14	(42)	(86)	40	(46)
Consumer	16	(8)	8	(38)	7	(31)
Total loans	5,904	(1,642)	4,262	6,732	(2,024)	4,708
Federal Home Loan Bank stock	4	(5)	(1)	1	7	8
Total change in interest and dividend income	5,290	(1,580)	3,710	5,718	(1,897)	3,821
Interest expense:						
Deposits:						
NOW	12	(8)	4	2	(1)	1
Money market	148	(262)	(114)	212	(106)	106
Savings	108	(411)	(303)	308	11	319
Time	263	16	279	24	(106)	(82)
Total deposits	531	(665)	(134)	546	(202)	344
Federal Home Loan Bank advances	97	(390)	(293)	275	(297)	(22)
Total change in interest expense	628	(1,055)	(427)	821	(499)	322
Change in net interest income	$ 4,662	$ (525)	$ 4,137	$ 4,897	$ (1,398)	$ 3,499

Provision for Loan Losses

The provision for loan losses is based on management's periodic assessment of the adequacy of BWFG's allowance for loan losses which, in turn, is based on such interrelated factors as the composition of BWFG's 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 BWFG's allowance for loan losses and reflects management's best estimate of probable losses inherent in BWFG's loan portfolio at the balance sheet date.

Under accounting standards for business combinations, acquired loans are recorded at fair value with no loan loss allowance on the date of acquisition. A provision for loan losses will be recorded for the emergence of new probable and estimable losses on acquired loans which were not impaired as of the acquisition date. As of and for the year ended December 31, 2013, there was no provision or allowance for loan losses related to the loan portfolio that BWFG acquired from The Wilton Bank on November 5, 2013 for this reason.

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The provision for loan losses for the year ended December 31, 2013 was $585 thousand compared to a $1.8 million provision for loan losses for the year ended December 31, 2012. The lower 2013 provision for loan losses is attributable to the low level of net charge-offs, nonperforming and past due loans and an overall improvement in BWFG's credit quality. The 2012 provision for loan losses reflected increases in net charge-offs, nonaccrual loans, and troubled debt restructured loans as well as significant growth in BWFG's commercial loan portfolio compared to 2011. The provision charged to earnings in 2011 was $1.0 million. For a more detailed discussion of BWFG's allowance for loan losses methodology, see "— Allowance for Loan Losses."

Noninterest Income

Noninterest income is a component of BWFG's revenue and is comprised primarily of fees generated from loan and deposit relationships with BWFG's customers, fees generated from sales and referrals of loans and gains on sales of BWFG's investment securities. The following table compares noninterest income for the years ended December 31, 2013, 2012 and 2011.

	Years Ended December 31,			2013 / 2012 Change		2012 / 2011 Change	
(Dollars in thousands)	2013	2012	2011	$	%	$	%
Service charges and fees	$ 495	$ 345	$ 337	$ 150	43 %	$ 8	2 %
Gains and fees from sales and referrals of loans	2,020	18	547	2,002	11,122	(529)	(97)
Gain on bargain purchase	1,333	—	—	1,333	100	—	—
Net gain (loss) on available for sale securities	648	(18)	250	666	3,700	(268)	(107)
Gain on sale of foreclosed real estate	63	—	—	63	100	—	—
Other	163	—	—	163	100	—	—
Total noninterest income	$ 4,722	$ 345	$ 1,134	$ 4,377	1,269 %	$ (789)	(70)%

Year ended December 31, 2013 compared to year ended December 31, 2012

Noninterest income totaled $4.7 million for the year ended December 31, 2013, compared to $345 thousand for the year ended December 31, 2012. This increase was primarily due to gains BWFG recorded on sales of commercial loans and available for sale securities as well as a one-time bargain purchase gain of $1.3 million recorded in connection with BWFG's acquisition of The Wilton Bank.

Service charges and fees. BWFG earns fees from BWFG's customers for deposit-related services. For the year ended December 31, 2013, service charges and fees totaled $495 thousand. The increase of $150 thousand, or 43%, over the year ended December 31, 2012 was primarily due to increases in ATM and debit card fees and non-sufficient fund charges caused by an increase in BWFG's pricing schedule at the beginning of 2013 and, to a lesser extent, higher volume levels.

Gains and fees from sales and referrals of loans. Loan sales are dependent on origination volume and are sensitive to interest rates, housing and market conditions. During the year ended December 31, 2013, BWFG recorded income of $1.8 million on the sale of $65.0 million of commercial mortgage loans, $93 thousand on the sale of $1.0 million of small business administration commercial loans and $84 thousand on sales of residential mortgage loans. BWFG sold the loans described above in response to favorable market conditions as well as BWFG's desire to reduce its ratio of commercial mortgage loans to total risk-based capital. As part of the commercial mortgage loan sales, BWFG

incurred fees to a third party of $258 thousand, which were recorded under professional fees in noninterest expense.
Gain on bargain purchase. BWFG recorded a gain of $1.3 million in conjunction with BWFG's acquisition of The Wilton Bank. In accordance with applicable accounting guidance, the amount paid is allocated to the fair value of the net assets acquired, with any excess amounts recorded as goodwill. If the fair value of the net assets is greater than the amount paid, the excess amount is recorded to noninterest income as a gain on the purchase.
Net gain (loss) on sale of available for sale securities. BWFG sells available-for-sale investment securities from time to time for various business purposes, including funding loan demand and managing asset / liability sensitivity. Net gains on the sale of available-for-sale securities totaled $648 thousand for the

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year ended December 31, 2013 compared to a net loss of $18 thousand for the same period in 2012 due to market conditions at the time as well as the type of securities sold. Investment grade securities were sold in the first half of the year to shorten the duration of the portfolio and to capitalize on favorable market conditions.

Gain on sale of foreclosed real estate. During 2012, BWFG took possession of two properties that BWFG later sold in 2013. In addition, in 2013 BWFG sold a foreclosed property that BWFG attained in its acquisition of The Wilton Bank. Net gains on the sale of foreclosed real estate of $63 thousand were recorded in 2013, reflecting these sales.

Other. BWFG recorded other income of $163 thousand during the year ended December 31, 2013, primarily reflecting the partial recovery of a wire fraud loss, which occurred in 2012. The increase in other income also reflected earnings on bank-owned life insurance and rental income of $31 thousand and $18 thousand, respectively. In the fourth quarter of 2013, BWFG purchased $10 million of bank-owned life insurance on certain employees and recorded income representing the increase in the cash surrender value of the policies. Included in the acquisition of The Wilton Bank was the building, of which a portion is rented.

Year ended December 31, 2012 compared to year ended December 31, 2011

Noninterest income totaled $345 thousand in 2012, a decrease of $789 thousand from 2011. This decrease was due primarily to low levels of loan sale activity and a decrease in prior year gains on sales of securities, while income from service charges and fees remained level.

Service charges and fees. For the year ended December 31, 2012, service charges and fees earned on deposit related services totaled $345 thousand compared to $337 thousand for the year ended December 31, 2011.

Gains and fees from sales and referrals of loans. Gains from sales of loans totaled $18 thousand for the year ended December 31, 2012 compared to $547 thousand for the year ended December 31, 2011. The lower 2012 gains from sales of loans were due to lower residential mortgage loan sales, which BWFG attributes to the fact that new mortgage loan originations during 2012 were primarily adjustable-rate products, which are held in portfolio and not sold in the secondary market, reflecting current consumer trends.

Net gain (loss) on sale of available-for-sale securities. For the year ended December 31, 2012, available for sale securities were sold, which resulted in a net loss recorded to earnings of $18 thousand. This compared to net gains of $250 thousand recorded for the year ended December 31, 2011.

Noninterest Expense

The following table compares noninterest expense for the years ended December 31, 2013, 2012 and 2011.

	Years Ended December 31,			**2013 / 2012 Change**		**2012 / 2011 Change**	
(Dollars in thousands)	**2013**	**2012**	**2011**	**$**	**%**	**$**	**%**
Salaries and employee benefits	$ 11,565	$ 9,426	$ 8,506	$ 2,139	23 %	$ 920	11 %
Occupancy and equipment	3,707	3,004	2,428	703	23	576	24
Professional services	1,595	1,546	715	49	3	831	116
Data Processing	1,333	1,202	865	131	11	337	39
Marketing	928	333	342	595	179	(9)	(3)
Merger and acquisition related expenses	908	—	—	908	100	—	—
FDIC insurance	333	365	472	(32)	(9)	(107)	(23)
Director fees	304	366	288	(62)	(17)	78	27

	Years Ended December 31,			2013 / 2012 Change		2012 / 2011 Change	
Foreclosed real estate	7	9	—	(2)	(22)	9	100
Amortization of intangibles	18	—	—	18	100	—	—
Other	1,421	1,607	985	(186)	(12)	622	63
Total noninterest expense	$ 22,119	$ 17,858	$ 14,601	$ 4,261	24 %	$ 3,257	22 %

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Year ended December 31, 2013 compared to year ended December 31, 2012

Noninterest expense was $22.1 million for the year ended December 31, 2013, compared to $17.9 million for the year ended December 31, 2012. The increase of $4.3 million, or 24%, largely reflects BWFG's ongoing strategic initiative efforts that began in 2012. These efforts have included hiring of some of BWFG's senior management team, evaluating and investing in core systems, maximizing core competencies, assessing loan and fee income diversification avenues and exploring alternative investment strategies to prepare for future growth. Additionally, BWFG recorded one-time expenses of $908 thousand related to BWFG's acquisition of The Wilton Bank.

Salaries and employee benefits. Salaries and employee benefit costs are the largest component of noninterest expense and include employee payroll expense, equity and non-equity incentive compensation, health insurance, benefit plans and payroll taxes. Salaries and employee benefits increased by $2.1 million, or 23%, for the year ended December 31, 2013 compared to the same period in 2012, largely reflecting higher staffing levels and incentive accruals. Staffing increased to 106 full-time employees at December 31, 2013 from 85 at December 31, 2012, which included a new Chief Operating Officer position in April 2013 and the opening of a loan production office in July 2012. Additionally, the costs of employee benefits have risen significantly including a $243 thousand, or 73%, increase in medical and dental expenses.

Occupancy and equipment. Rent, depreciation and maintenance costs comprise the majority of occupancy and equipment expenses, which increased by $703 thousand, or 23%, in the year ended December 31, 2013, compared to the year ended December 31, 2012. The increase primarily related to costs associated with the relocation of two branch locations, which included approximately $300 thousand of fixed asset write-offs, a loan production office opened in July 2012, expansion of the corporate premises and investments related to technology and other equipment.

Professional services. Professional services include legal, audit and professional fees paid to external parties. For the year ended December 31, 2013 professional services increased by $49 thousand, or 3%, compared to the year ended December 31, 2012. The 2013 expense also reflects commercial mortgage loan sale fees of $258 thousand.

Data processing. Data processing expense for BWFG's core systems totaled $1.3 million for the year ended December 31, 2013, compared to $1.2 million for the year ended December 31, 2012.

Marketing. Marketing expenses for the years ended December 31, 2013 and 2012 totaled $928 thousand and $333 thousand, respectively. In addition to supporting loan and deposit growth, the increase of $595 thousand, or 179%, also reflects costs associated with consolidating and rebranding The Bank of New Canaan and The Bank of Fairfield under a single entity with the Bankwell Bank name. BNC Financial Group was also rebranded as Bankwell Financial Group. These changes became effective in September 2013.

FDIC insurance. BWFG is subject to risked-based assessment fees by the FDIC for deposit insurance. For the years ended December 31, 2013 and 2012, FDIC insurance expense was $333 thousand and $365 thousand, respectively.

Director fees. Director fees totaled $334 thousand for the year ended December 31, 2013 and $366 thousand for the year ended December 31, 2012, representing fees paid to the boards of directors for BNC Financial Group, The Bank of New Canaan and The Bank of Fairfield. Upon the merger of the Bank of New Canaan and The Bank of Fairfield in September 2013, the boards of directors of the banks were also merged.

Foreclosed real estate. Expenses related to properties acquired through foreclosure or repossession are included in foreclosed real estate costs. For the years ended December 31, 2013 and 2012, foreclosed real estate expenses were $7 thousand and $9 thousand, respectively.

Amortization of intangibles. In conjunction with BWFG's acquisition of The Wilton Bank, BWFG recorded a core deposit intangible asset of $499 thousand, which is being amortized over 9.3 years on a double declining balance basis. Amortization expense for the year ended December 31, 2013 was $18 thousand.

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Merger and acquisition related expenses. Merger and acquisition related expenses primarily relate to legal, consulting, system conversion, severance and marketing expenses incurred as a result of BWFG's acquisition of The Wilton Bank. For the year ended December 31, 2013, these expenses totaled $908 thousand.

Other. These expenses include costs for insurance, communications, supplies, education and training, business development activities and other operations. For the years ended December 31, 2013 and 2012, other noninterest expenses totaled $1.4 million and $1.6 million, respectively, reflecting BWFG's strategic and organic growth.

Year ended December 31, 2012 compared to year ended December 31, 2011

Noninterest expense was $17.9 million for the year ended December 31, 2012, an increase of $3.3 million, or 22%, compared to noninterest expense for the year ended December 31, 2011. Excluding a 2012 non-recurring wire fraud loss of $478 thousand, recorded in other expenses, noninterest expenses increased $2.8 million, or 19%, largely reflecting costs tied to a number of BWFG's strategic initiatives.

Salaries and employee benefits. Salaries and employee benefits totaled $9.4 million for the year ended December 31, 2012, an increase of $920 thousand, or 11%, compared to salary and employee benefits for 2011. This increase largely reflects costs related to higher staffing levels to support strategic growth. BWFG hired its new CEO in the second quarter 2012, first in an interim role, and she then transitioned to full-time CEO in September 2012. The year-over-year increase in costs was also due to the dissolution of BWFG's former CEO's employment agreement.

Occupancy and equipment. Occupancy and equipment costs increased by $576 thousand in 2012 compared to 2011, reflecting increased rental expenses, occupancy and equipment maintenance costs. These increased costs primarily related to a new loan production office that BWFG opened in July 2012, expansion of BWFG's corporate premises as well as investments related to technology and other equipment.

Professional services. Professional services increased by $831 thousand, or 116%, in 2012 compared to 2011, reflecting higher consulting and legal expenses to support certain strategic initiatives, including evaluating core systems, maximizing BWFG's core competencies, assessing BWFG's loan and fee income diversification initiatives and exploring alternative investment strategies.

Data processing. Costs associated with investment in BWFG's technology platform were reflected in data processing fees, which increased by $337 thousand, or 39%, in 2012 compared to 2011, primarily due to higher website and application fee expenses.

Marketing. Marketing expenses for the years ended December 31, 2012 and 2011 totaled $333 thousand and $342 thousand, respectively, and primarily consist of advertising expenses to promote BWFG's loan and deposit products.

Director fees. Director fees totaled $366 thousand for the year ended December 31, 2012 and $288 thousand for the year ended December 31, 2011, representing fees paid to the boards of directors for BWFG, The Bank of New Canaan and The Bank of Fairfield. The year over year increase primarily reflected an increase in the number of meetings held.

FDIC insurance. FDIC insurance expense for the year ended December 31, 2012, declined by $107 thousand, or 23%, from the year ended December 31, 2011, reflecting lower assessment rates and a statutory change in the calculation method that was effective for the second quarter of 2011.

Other. The largest component of the $622 thousand increase in other expenses in 2012 compared to 2011 was a $478 thousand charge related to a wire fraud loss. Excluding this fraud loss, which management believes to be non-recurring in nature, other expenses increased by $144 thousand reflecting increases in business development expenses, courier and dues and subscription expenses.

Income Taxes

Income tax expense for the years ended December 31, 2013, 2012 and 2011 totaled $2.2 million, $657 thousand and $997 thousand, respectively. The effective tax rates for the years ended December 31, 2013, 2012 and 2011, were 29.7%, 35.1% and 31.1%, respectively. The decrease in the effective tax rate for

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the year ended December 31, 2013 reflects increases in nontaxable income, including the gain realized on BWFG's acquisition of The Wilton Bank. The increase in the effective tax rate for the year ended December 31, 2012, reflects increased state tax expense and increased equity-based compensation expense, partially offset by increases in municipal interest income and the change in the valuation allowance.

BWFG's net deferred tax asset at December 31, 2013, was $5.8 million, compared to $2.8 million, at December 31, 2012. The increase in the deferred tax asset at December 31, 2013 is primarily related to net operating loss carryforwards and purchase accounting adjustments related to the acquisition of The Wilton Bank as well as the decrease in the deferred tax liability related to the net unrealized gain on available for sale securities, which decreased by $692 thousand from $963 thousand at December 31, 2012 to $271 thousand at December 31, 2013. At December 31, 2013 and 2012, a valuation allowance against the deferred tax benefits of the state operating loss carry forwards and other state deferred tax assets totaled $682 thousand and $182 thousand, respectively, reflecting that it is more likely than not that some of these deferred tax assets will not be realized. At December 31, 2013, there were federal net operating loss carry forwards of approximately $3.5 million and approximately $6.0 million net operating loss carryforwards for state tax purposes. See Note 12 to BWFG's Consolidated Financial Statements included elsewhere in this prospectus for further information regarding income taxes.

Financial Condition

Summary

Total assets at December 31, 2013 were $779.6 million, an increase of $169.6 million, or 28%, from the December 31, 2012 balance of $610.0 million. This increase was primarily due to BWFG's acquisition of The Wilton Bank as well as organic growth. Net loans were $621.8 million at December 31, 2013, up by $101.0 million from December 31, 2012, reflecting acquired loans of $24.1 million and growth in the commercial business and commercial real estate loan portfolios of $30.5 million and $25.8 million, respectively. Cash balances increased by $53.1 million during 2013, reflecting acquired balances and proceeds from loan sales in the fourth quarter. Also in the fourth quarter of 2013, BWFG purchased $10.0 million of bank-owned life insurance to diversify BWFG's revenue sources and yield tax-free earnings.

Total liabilities at December 31, 2013 were $710.1 million, an increase of $151.6 million from the December 31, 2012 balance of $558.5 million. This increase was primarily due to an increase in deposits of $199.5 million, consisting of organic growth of $135.3 million and the acquired balances of $64.2 million, as well as a decrease in FHLBB borrowings of $47.0 million. Shareholders' equity totaled $69.5 million at December 31, 2013, an increase of $18.0 million, or 35%, from December 31, 2012, largely due to approximately $13.2 million of proceeds from BWFG's two capital raises, and net income of $5.2 million. Bankwell Bank exceeded the regulatory minimum capital levels to be considered well-capitalized with total risk-based capital of 10.74% at December 31, 2013. Bankwell Bank also had Tier 1 risk-based capital of 9.49% Tier 1 capital to average assets ratio of 7.91% at December 31, 2013.

Loan Portfolio

BWFG originates commercial and residential real estate loans, including construction loans, commercial business loans, home equity and other consumer loans. Lending activities are primarily conducted within BWFG's market of Fairfield County and the surrounding Connecticut region. BWFG's loan portfolio is the largest category of BWFG's earning assets.

Total loans before deferred loan fees were $632.0 million at December 31, 2013, up by $102.0 million, or 19%, from December 31, 2012, and up by $262.7 million, or 71%, from December 31, 2011. Since December 31, 2007, total loans have increased $487.1 million from $144.9 million. This growth reflects the expansion of BWFG's branch network, including BWFG's acquisition of The Wilton Bank. Commercial real estate loans have experienced the most significant growth, complemented by increases in the residential real estate and commercial business loan portfolios. The acquired loans were recorded at fair value with no carryover of the related allowance for credit losses. The balance of acquired loans at December 31, 2013 was $24.1 million.

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The following table compares the composition of BWFG's loan portfolio for the dates indicated:

(In thousands)	At December 31,						
	2013			2012	2011	2013/2012 Change	2012/2011 Change
	Originated	Acquired	Total				
Real estate loans:							
Residential	$ 155,874	$ —	$ 155,874	$ 144,288	$ 104,754	$ 11,586	$ 39,534
Commercial	305,823	10,710	316,533	284,763	173,951	31,770	110,812
Construction	44,187	7,358	51,545	33,148	40,422	18,397	(7,274)
Home equity loans	9,625	4,267	13,892	11,030	14,815	2,862	(3,785)
	515,509	22,335	537,844	473,229	333,942	64,615	139,287
Commercial business loans	92,173	1,393	93,566	56,764	35,041	36,802	21,723
Consumer loans	225	377	602	57	311	545	(254)
Total loans	$ 607,907	$ 24,105	$ 632,012	$ 530,050	$ 369,294	$ 101,962	$ 160,756

Primary loan categories

Residential real estate. Residential real estate loans increased by $11.6 million, or 8%, year-over-year, in 2013, and by $39.5 million, or 38%, year-over-year, in 2012, and amounted to $156.1 million, representing 25% of total loans at December 31, 2013. BWFG originates residential real estate mortgages for BWFG's loan portfolio and for sale in the secondary market. Loans may be sold with servicing retained or released. The mix and volume of residential mortgage loan originations vary in response to changes in market interest rates and customer preferences. During the years ended December 31, 2013 and 2012, the majority of BWFG's mortgage originations were comprised of adjustable-rate loans for BWFG's loan portfolio. The improving economy, sustained low interest rate environment and increased marketing efforts are all key factors in BWFG's ongoing strategy to grow BWFG's portfolio of residential real estate loans.

Interest only adjustable-rate mortgage loans comprise 37% of residential real estate loans and 9% of total loans. These loans are underwritten to the same standards as amortizing residential mortgage loans and generally have the same risk profile. BWFG does not believe that these loans present any special risk due, in part, to borrower demographic (geographic location and per capita income), the high percentage of current appraisal values and BWFG's performance of stress testing prior to converting to an amortizing loan.

Commercial real estate. Commercial real estate loans were $316.5 million and represented 50% of BWFG's total loan portfolio, at December 31, 2013, a net increase of $31.8 million, or 11%, from December 31, 2012. Partially offsetting strong origination activity was the sale of $65.0 million of commercial real estate loans during 2013. BWFG enacted these sales to reduce its ratio of commercial real estate loans to total risk-based capital and to take advantage of favorable market conditions. During 2012, commercial real estate loans grew by $110.8 million, or 64%, from December 31, 2011. Commercial real estate loan growth during these periods largely reflects experienced lenders in the marketplace and the ability to source quality opportunities, the expansion of the number of lenders with the opening of BWFG's Bridgeport, Connecticut loan production office in July 2012 as well as enhanced lending to existing customers and continued economic improvement in BWFG's market. Commercial real estate loans are secured by a variety of property types, including office buildings, retail facilities, commercial mixed use and multi-family dwellings.

Commercial business. Commercial business loans were $92.2 million and represented 15% of BWFG’s total loan portfolio at December 31, 2013, compared to $56.8 million and 11%, of the total portfolio at December 31, 2012 and $35.0 million and 9%, of the total loan portfolio at December 31, 2011. Over the past two years BWFG’s commercial business loan portfolio has almost tripled, largely reflecting BWFG’s commitment to this segment, including small business lending. Commercial business loans primarily provide working capital, equipment financing, financing for leasehold improvements and financing for expansion and are generally secured by assignments of corporate assets, real estate and personal guarantees of the business owners.

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Construction. Construction loans were $51.5 million at December 31 2013, up by $18.4 million from December 31, 2012, with $33.6 million attributable to commercial construction and $17.9 million attributable to residential construction. Construction loans totaled $33.1 million at December 31, 2012, of which $23.4 million were commercial construction and $9.6 million were residential construction. At December 31, 2011, construction loans totaled $40.4 million, with $22.1 million in commercial construction and $18.3 million in residential construction. Commercial construction loans consist of commercial development projects, such as condominiums, apartment building and single-family subdivisions as well as office buildings, retail and other income producing properties and land loans, while residential construction loans are to individuals to finance the construction of residential dwellings for personal use.

Home equity. Home equity loans increased by $2.9 million, or 26%, during the year ended December 31, 2013 and totaled $13.9 million at December 31, 2013. The increase from the December 31, 2012 balance of $11.0 million primarily reflects loans acquired from The Wilton Bank. Total home equity loans consist of home equity lines of credit, which are secured by owner-occupied one- to four-family residential properties.

Consumer. Consumer loans totaled $602 thousand at December 31, 2013 compared to $57 thousand at December 31, 2012, reflecting loans acquired from The Wilton Bank. Consumer loans are secured by passbook or certificate accounts, or automobiles, as well as unsecured personal loans and overdraft lines of credit.

BWFG evaluates the appropriateness of BWFG's underwriting standards in response to changes in national and regional economic conditions, including such matters as market interest rates, energy prices, trends in real estate values, and employment levels. Based on BWFG's assessment of these matters, underwriting standards and credit monitoring activities are enhanced from time to time in response to changes in these conditions.

The following table presents an analysis of the maturity of BWFG's commercial real estate, construction and commercial business loan portfolios as of December 31, 2013.

	December 31, 2013			
(In thousands)	Commercial real estate	Construction	Commercial business	Total
Amounts due:				
One year or less	$ 16,645	$ 15,598	$ 14,706	$ 46,949
After one year:				
One to five years	93,496	35,947	37,520	166,963
Over five years	206,392	—	41,340	247,732
Total due after one year	299,888	35,947	78,860	414,695
Total	$ 316,533	$ 51,545	$ 93,566	$ 461,644

The following table presents an analysis of the interest rate sensitivity of BWFG's commercial real estate, construction and commercial business loan portfolios due after one year of December 31, 2013.

	December 31, 2013		
	Interest Rate		
(In thousands)	Adjustable	Fixed	Total
Commercial real estate	$ 95,783	$ 204,105	$ 299,888

	December 31, 2013		
Construction	14,154	21,793	35,947
Commercial business	42,702	36,158	78,860
Total loans due after one year	$ 152,639	$ 262,056	$ 414,695

Asset Quality

BWFG actively manages asset quality through its underwriting practices and collection operations. BWFG's board of directors monitors credit risk management through two committees, the loan committee and the audit committee. The loan committee has primary oversight responsibility for the credit granting function including approval authority for credit granting policies, review of management's credit granting

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activities and approval of large exposure credit requests. The audit committee oversees management's systems and procedures to monitor the credit quality of BWFG's loan portfolio, conduct a loan review program, maintain the integrity of the loan rating system and determine the adequacy of the allowance for loan losses. These committees report the results of their respective oversight functions to BWFG's board of directors. In addition, BWFG's board of directors receives information concerning asset quality measurements and trends on a monthly basis. While BWFG continues to adhere to prudent underwriting standards, BWFG's loan portfolio is not immune to potential negative consequences arising 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.

BWFG has established credit policies applicable to each type of lending activity in which it engages. BWFG evaluates the creditworthiness of each customer and, in most cases, extends credit of up to 80% for retail loans and 75% for commercial loans of the market value of the collateral at the date of the credit extension, depending on the borrowers' creditworthiness and the type of collateral. The market value of collateral is monitored on an ongoing basis and additional collateral is obtained when warranted. Real estate is the primary form of collateral. Other important forms of collateral are time deposits and marketable securities. While collateral provides assurance as a secondary source of repayment, BWFG ordinarily requires the primary source of repayment to be based on the borrower's ability to generate continuing cash flows. Private mortgage insurance is required for that portion of the residential loan in excess of 80% of the appraised value of the property.

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

Acquired Loans.   Loans acquired in acquisitions are initially recorded at fair value with no carryover of the related allowance for credit losses. Acquired loans that have evidence of deterioration in credit quality since origination and for which it is probable, at acquisition, that all contractually required payments will not be collected are initially recorded at fair value without recording an allowance for loan losses. Determining the fair value of the loans is determined using market participant assumptions in estimating the amount and timing of principal and interest cash flows initially expected to be collected on the loans and discounting those cash flows at an appropriate market rate of interest.

Under the accounting model for acquired loans, the excess of cash flows expected to be collected over the carrying amount of the loans, referred to as the "accretable yield," is accreted into interest income over the life of the loans using the effective yield method. Accordingly, acquired loans are not subject to classification as nonaccrual in the same manner as originated loans. Rather, acquired loans are considered to be accruing loans because their interest income relates to the accretable yield recognized and not to contractual interest payments. The excess of the loan's contractually required payments over the cash flows expected to be collected is the nonaccretable difference. As such, chargeoffs on acquired loans are first applied to the nonaccretable difference and then to any allowance for loan losses recognized subsequent to the acquisition. A decrease in expected cash flows in subsequent periods may indicate that the loan pool is impaired, which would require the establishment of an allowance for loan losses by a charge to the provision for loan losses.

At December 31, 2013, all acquired loans relate to BWFG's acquisition of The Wilton Bank, which was completed on November 5, 2013. These acquired loans were classified as accruing and no new provision for loan losses was recorded for the year ended December 31, 2013. Select asset quality metrics presented below distinguish between the "originated" portfolio and the "acquired" portfolio.

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

	At December 31, 2013		
(In thousands)	Originated	Acquired	Total
Nonaccrual loans:			
Real estate loans:			
Residential	$ 1,003	$ —	$ 1,003
Commercial	—	—	—
Construction	—	—	—
Home equity loans	—	—	—
Commercial business loans	—	—	—
Consumer loans	—	—	—
Total non accrual loans	$ 1,003	$ —	$ 1,003
Property acquired through foreclosure or repossession, net	—	829	829
Total nonperforming assets	$ 1,003	$ 829	$ 1,832
Nonperforming assets to total assets	0.13 %	0.11 %	0.23 %
Nonaccrual loans to total loans	0.16 %	0.00 %	0.16 %
Total past due loans to total loans	0.16 %	15.02 %	0.73 %
Accruing loans 90 days or more past due	$ —	$ 3,620	$ 3,620

	At December 31,			
(In thousands)	2012	2011	2010	2009
Nonaccrual loans:				
Real estate loans:				
Residential	$ 2,137	$ 2,166	$ 974	$ 974
Commercial	1,817	307	—	—
Construction	—	1,175	1,300	1,489
Home equity loans	—	90	—	—
Commercial business loans	—	—	—	—
Consumer loans	—	—	—	—
Total nonaccrual loans	$ 3,954	$ 3,738	$ 2,274	$ 2,463
Property acquired through foreclosure or repossession, net	962	—	—	—
Total nonperforming assets	$ 4,916	$ 3,738	$ 2,274	$ 2,463
Nonperforming assets to total assets	0.81 %	0.78 %	0.57 %	0.75 %
Nonaccrual loans to total loans	0.75 %	1.01 %	0.79 %	0.96 %
Total past due loans to total loans	0.75 %	1.01 %	0.79 %	2.68 %
Accruing loans 90 days or more past due	$ —	$ —	$ —	$ —

The preceding 2013 table excludes acquired loans that are accounted for as purchased credit impaired loans, which totaled $3.6 million at December 31, 2013. Such loans otherwise meet BWFG's definition of a nonperforming loan but are excluded because the loans are included in loan pools that are considered performing. These loans are, however, 90 days or more past due and reflected as such in the table. The discounts arising from recording these loans at fair value were due, in part, to credit quality. The acquired loans are accounted for on either a pool or individual basis and the accretable yield is being recognized as interest income over the life of the loans based on expected cash flows.

Nonperforming assets totaled $1.8 million and represented 0.23% of total assets at December 31, 2013, compared to $4.9 million and 0.80% of total assets at December 31, 2012. Nonperforming assets at December 31, 2011, consisted entirely of nonaccrual loans and represented 0.78% of total assets.

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Nonaccrual loans totaled $1.0 million at December 31, 2013, a decrease of $3.0 million, or 75%, from December 31, 2012, due to the payoff of two loans. Foreclosed real estate was $829 thousand at December 31, 2013, consisting of four residential lots that were acquired in BWFG's acquisition of The Wilton Bank. The balance of $962 thousand at December 31, 2012 reflected two construction properties, a single-family residential home and a residential condominium project. BWFG sold both properties during 2013.

Nonaccrual Loans. Loans greater than 90 days past due are put on nonaccrual status. Loans are also placed on nonaccrual status when, in the opinion of management, full collection of principal and interest is doubtful. Interest previously accrued, but uncollected, is reversed against current period income. Subsequent interest payments received on nonaccrual loans are recognized as interest income, or recorded as a reduction of principal if full collection of the loan is doubtful or if impairment of the collateral is identified. 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. Total nonaccrual loans were $1.0 million at December 31, 2013, consisting of one residential real estate mortgage loan.

The net change in nonaccrual residential real estate loans during 2013 was a net decrease of $1.1 million, reflecting the full payoff of a mortgage loan in March 2013 upon the settlement of an estate. At December 31, 2013, the balance of $1.0 million reflects one residential property, which is part of an estate currently going through the probate process. At December 31, 2013, there was a specific loss allocation of $39 thousand for this nonaccrual residential real estate loan.

At December 31, 2013, there were no commercial real estate loans on nonaccrual status compared to one loan totaling $1.8 million at December 31, 2012. This decrease was due to the payoff of the $1.8 million loan in June 2013, which included a modest charge-off of $166 thousand.

At December 31, 2013, there were no commitments to lend additional funds to any borrower on nonaccrual status. Interest income that would have been recognized if loans on nonaccrual status had been current in accordance with their original terms for the years ended December 31, 2013, 2012 and 2011 was $23 thousand, $276 thousand and $133 thousand, respectively. The amount of actual interest income recognized on these loans was $8 thousand, $113 thousand and $76 thousand for the years ended December 31, 2013, 2012 and 2011, respectively.

Past Due Loans. When a loan is 15 days past due, BWFG sends the borrower a late notice. BWFG 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, BWFG 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, subsequent delinquency notices are issued and the account will be monitored on a regular basis thereafter. By the 90th day of delinquency, BWFG will send the borrower a final demand for payment and may recommend foreclosure. A summary report of all loans 30 days or more past due is provided to BWFG's board of directors each month. Generally, loans greater than 90 days past due are put on nonaccrual status. The delinquency status of acquired loans accounted for as purchased credit impaired loans are determined in accordance with their contractual repayment terms. At December 31, 2013, accruing purchased credit impaired loans greater than 90 days past due totaled $3.6 million.

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The following table presents past due loans as of December 31, 2013 and 2012:

(In thousands)	31 – 60 Days Past Due	61 – 90 Days Past Due	Greater Than 90 Days	Total Past Due
As of December 31, 2013				
Originated Loans				
Residential real estate	$ —	$ —	$ 1,003	$ 1,003
Total originated loans	—	—	1,003	1,003
Acquired Loans				
Commercial real estate	—	—	796	796
Construction	—	—	2,508	2,508
Commercial business	—	—	316	316
Total acquired loans	—	—	3,620	3,620
Total loans	$ —	$ —	$ 4,623	$ 4,623
As of December 31, 2012				
Residential real estate	$ —	$ —	$ 2,137	$ 2,137
Commercial real estate	—	—	1,817	1,817
Commercial business	40	—	—	40
Total	$ 40	$ —	$ 3,954	$ 3,994

At December 31, 2013, total past due loans totaled $4.6 million and consisted of one originated loan for a residential property in the midst of the probate process and 14 acquired loans. The past due acquired loans primarily consist of residential construction loans including a four unit condominium property and a single family residence. As of December 31, 2012, total past due loans were $4.0 million, of which 99% consisted of nonaccrual loans and $40 thousand, or 1%, consisted of an accruing commercial business loan 31 – 60 days past due.

Troubled Debt Restructurings. Loans are considered restructured in a troubled debt restructuring when BWFG has granted concessions to a borrower due to the borrower's financial condition that BWFG otherwise would not have considered. These concessions may include modifications of the terms of the debt such as reduction of the stated interest rate other than normal market rate adjustments, extension of maturity dates, or reduction of principal balance or accrued interest. The decision to restructure a loan, rather than aggressively enforcing the collection of the loan, may benefit BWFG by increasing the ultimate probability of collection.

Restructured loans are classified as accruing or non-accruing based on management's assessment of the collectability of the loan. Loans which are already on nonaccrual status at the time of the restructuring generally remain on nonaccrual status for approximately six months before management considers such loans for return to accruing status.

Accruing restructured loans are placed into nonaccrual status if and when the borrower fails to comply with the restructured terms and management deems it unlikely that the borrower will return to a status of compliance in the near term. Through December 31, 2013, all troubled debt restructured loans were accruing at the time of the restructure.

Troubled debt restructurings are reported as such for at least one year from the date of the restructuring. In years after the restructuring, troubled debt restructured loans are removed from this classification if the restructuring did not involve a below market rate concession and the loan is not deemed to be impaired based on the terms specified in the restructuring agreement. As of December 31, 2013 there were no significant commitments to lend additional funds to borrowers whose loans had been restructured.

The following table presents information on troubled debt restructured loans.

	At December 31,				
(In thousands)	2013	2012	2011	2010	2009
Accruing troubled debt restructured loans:					
Residential real estate	$ 864	$ 864	$ —	$ —	$ —
Commercial real estate	—	194	203	2,218	5,403
Construction	—	—	—	1,415	—
Home equity	97	—	—	—	—
Commercial business	642	794	57	—	—
Accruing troubled debt restructured loans	1,603	1,852	260	3,633	5,403
Nonaccrual troubled debt restructured loans:					
Commercial real estate	—	—	—	—	2,463
Nonaccrual troubled debt restructured loans	—	—	—	—	2,463
Total troubled debt restructured loans	$ 1,603	$ 1,852	$ 260	$ 3,633	$ 7,866

As of December 31, 2013 and 2012, loans classified as troubled debt restructurings totaled $1.6 million and $1.9 million, respectively. During 2013, there was a modest decrease in the balance of troubled debt restructurings of $249 thousand reflecting a paydown and declassification from troubled debt restructured status of two commercial business loans as well as a payoff of a commercial real estate loan. These decreases were partially offset by BWFG's addition of a home equity loan, which totaled $97 thousand at December 31, 2013. At the time of the troubled debt restructuring, the home equity loan had a balance of approximately $246 thousand, however BWFG received a significant principal paydown late in 2013. The $1.6 million balance at December 31, 2013 consists of three loans. The largest troubled debt restructured loan is a residential real estate loan, which included a modification of certain payment terms and a below market interest rate reduction on the portion of the loan which exceeded 80% of the loan to value ratio. The second largest troubled debt restructured loan is a commercial business loan secured by business assets and included the modification of certain payment terms to extend the loan amortization period and a below market interest rate reduction.

Potential Problem Loans. BWFG classifies certain loans as "special mention," "substandard," or "doubtful," based on criteria consistent with guidelines provided by BWFG's banking regulators. Potential problem loans represent loans that are currently performing, but for which known information about possible credit problems of the related borrowers causes management to have doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans as nonperforming at some time in the future. These loans are not included in the amounts of nonaccrual or restructured loans presented above. BWFG cannot predict the extent to which economic conditions or other factors may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on nonaccrual, become restructured, or require increased allowance coverage and provision for loan losses. BWFG has identified approximately $9.1 million in potential problem loans at December 31, 2013. Potential problem loans are assessed for loss exposure using the methods described in Note 7 to BWFG's Consolidated Financial Statements contained elsewhere in this prospectus under the caption "Credit Quality Indicators."

BWFG expects the levels of non-performing assets and potential problem loans to fluctuate in response to changing economic and market conditions, and the relative sizes of the respective loan portfolios, along with BWFG's degree of success in resolving problem assets. BWFG takes a proactive approach with respect to the identification and resolution of problem loans. However, given the current state of the U.S. economy and, more specifically, the real estate market, the level of non-performing assets may increase in future periods.

Allowance for Loan Losses

Establishing an appropriate level of allowance for loan losses, or the allowance, necessarily involves a high degree of judgment. BWFG uses a methodology to systematically measure the amount of estimated

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loan loss exposure inherent in BWFG's loan portfolio for purposes of establishing a sufficient allowance for loan losses. BWFG evaluates the adequacy of the allowance at least quarterly, and in determining BWFG's allowance for loan losses, BWFG estimates losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably determined. The balance of BWFG's allowance for loan losses is based on internally assigned risk classifications of loans, historical loan loss rates and subsequent recoveries, 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. See additional discussion regarding BWFG's allowance for loan losses under the caption "— Critical Accounting Policies and Estimates."

BWFG's allowance for loan losses is BWFG's best estimate of the probable loan losses inherent in BWFG's loan portfolio as of the balance sheet date. The allowance is increased by provisions charged to earnings and by recoveries of amounts previously charged off, and is reduced by charge-offs on loans.

BWFG's 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. BWFG does not recognize a recovery when an updated appraisal indicates a subsequent increase in value of the collateral.

BWFG's charge-off policies, which comply with standards established by BWFG's 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 estimation of loan loss exposure inherent in BWFG's loan portfolio includes, among other procedures, identification of loss allocations for individual loans deemed to be impaired in accordance with GAAP, and loss allocation factors for non-impaired loans based on historical loss experience, credit grade, delinquency factors, value of underlying collateral, concentrations of credit, and economic conditions. BWFG periodically reassesses and revises the loss allocation factors used in the assignment of loss exposure to appropriately reflect BWFG's analysis of migrational loss experience. BWFG analyzes historical loss experience in the various portfolios over periods deemed to be relevant to the inherent risk of loss in the respective portfolios as of the balance sheet date. Revisions to loss allocation factors are not retroactively applied.

The methodology BWFG uses to measure the amount of estimated loan loss exposure includes an analysis of individual loans deemed to be impaired. Impaired loans are loans for which it is probable that BWFG will not be able to collect all amounts due according to the contractual terms of the loan agreements and all loans restructured in a troubled debt restructuring. Impaired loans do not include large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, which consist of most residential mortgage loans and consumer loans. Impairment is measured on a discounted cash flow method based upon the loan's contractual effective interest rate, or at the loan's observable market price, or if the loan is collateral dependent, at the fair value of the collateral less costs to sell. For collateral dependent loans, BWFG may adjust appraised values to reflect estimated market value declines or apply other discounts to appraised values for unobservable factors resulting from BWFG's knowledge of circumstances associated with the property.

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The following table presents the activity in BWFG's allowance for loan losses and related ratios:

(Dollars in thousands)	For the Years Ended December 31, 2013	2012	2011	2010	2009
Balance at beginning of period	$ 7,941	$ 6,425	$ 5,440	$ 4,380	$ 3,050
Charge-offs:					
Residential real estate	—	(261)	—	—	—
Commercial real estate	(166)	—	—	—	—
Construction	—	(60)	(84)	(254)	—
Home equity	—	—	—	—	(410)
Consumer	(4)	(5)	—	(6)	(7)
Total charge-offs	(170)	(326)	(84)	(260)	(417)
Recoveries:					
Consumer	26	21	20	9	6
Total recoveries	26	21	20	9	6
Net charge-offs	(144)	(305)	(64)	(251)	(411)
Provision charged to earnings	585	1,821	1,049	1,311	1,741
Balance at end of period	$ 8,382	$ 7,941	$ 6,425	$ 5,440	$ 4,380
Net charge-offs to average loans	0.03 %	0.07 %	0.02 %	0.10 %	0.18 %

At December 31, 2013, BWFG's allowance for loan losses was $8.4 million and represented 1.33% of total loans, compared to $7.9 million and 1.50% of total loans, at December 31, 2012. The $441 thousand net increase in the allowance for loan losses comprised an increase in the general reserve of $554 thousand, partially offset by a decrease of $113 thousand in the specific reserve for impaired loans. The decrease in the specific reserve was primarily due to the payoff of a $1.8 million commercial real estate loan in June 2013, which had an associated allowance of $249 thousand. For the years ended December 31, 2013, 2012 and 2011, the provision for loan losses charged to earnings totaled $585 thousand, $1.8 million and $1.0 million, respectively. Net charge-offs for the year ended December 31, 2013 were $144 thousand and represented 0.03% of average loans, primarily reflecting a charge-off associated with an impaired commercial real estate loan that was paid off. For the year ended December 31, 2012, net charge-offs were $305 thousand and represented 0.07% of average loans, primarily reflecting a $261 thousand charge-off in conjunction with the restructuring of a residential real estate loan as a troubled debt restructured loan.

The carrying amount of total impaired loans at December 31, 2013 was $3.7 million and consisted of one residential mortgage loan on nonaccrual status, one commercial mortgage that was downgraded to substandard at year-end and three performing troubled debt restructured loans. This compares to a carrying amount of $4.1 million for total impaired loans at December 31, 2012. The amount of allowance for loan losses related to impaired loans was $145 thousand and $258 thousand, respectively, at December 31, 2013 and 2012.

The following tables present the allocation of the allowance for loan losses and the percentage of these loans to total loans. The allocation below is neither indicative of the specific amounts or the loan categories in which future charge-offs may occur, nor is it an indicator of any future loss trends. The allocation of the allowance to each category does not restrict the use of the allowance to absorb any losses in any category.

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(Dollars in thousands)	At December 31, 2013 Amount		2013 Percent of Loan Portfolio	2012 Amount		2012 Percent of Loan Portfolio	2011 Amount		2011 Percent of Loan Portfolio
Residential real estate	$	1,310	24.66 %	$	1,230	27.22 %	$	1,290	28.37 %
Commercial real estate		3,616	50.08		3,842	53.72		2,519	47.10
Construction		1,032	8.16		929	6.25		1,007	10.95
Home equity		190	2.20		220	2.08		274	4.01
Commercial business		2,225	14.80		1,718	10.71		1,317	9.49
Consumer		9	0.10		2	0.01		11	0.08
Unallocated		—	—		—	—		7	—
Total allowance for loan losses	$	8,382	100.00%	$	7,941	100.00%	$	6,425	100.00%

(Dollars in thousands)	At December 31, 2010 Amount		2010 Percent of Loan Portfolio	2009 Amount		2009 Percent of Loan Portfolio
Residential real estate	$	1,053	36.08 %	$	627	45.63 %
Commercial real estate		1,806	38.58		906	27.92
Construction		951	13.20		974	16.21
Home equity		313	5.77		268	6.64
Commercial business		744	6.14		248	3.51
Consumer		20	0.23		4	0.09
Unallocated		553	—		1,353	—
Total allowance for loan losses	$	5,440	100.00%	$	4,380	100.00%

The allocation of the allowance for loan losses at December 31, 2013 reflects BWFG's assessment of credit risk and probable loss within each portfolio. BWFG believes that the level of the allowance for loan losses at December 31, 2013 is appropriate to cover probable losses.

Investment Securities

BWFG manages its investment securities portfolio to provide a readily available source of liquidity for balance sheet management, to generate interest income and to implement interest rate risk management strategies. Investment securities are designated as either available-for-sale, held to maturity or trading at the time of purchase. BWFG does not currently maintain a portfolio of trading securities. Investment securities available-for-sale may be sold in response to changes in market conditions, prepayment risk, rate fluctuations, liquidity, or capital requirements. Investment securities available-for-sale are reported at fair value, with any unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity, net of tax, until realized. Investment securities held to maturity are reported at amortized cost.

The amortized cost and fair value of investment securities as of the dates indicated are presented in the following table:

	At December 31,					
	2013		2012		2011	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities available for sale:						
U.S Government and agency obligations	$ 5,997	$ 5,688	$ 5,997	$ 6,005	$ 41,598	$ 41,749
State agency and municipal obligations	11,605	12,132	17,036	18,531	17,829	19,198
Corporate bonds	9,166	9,566	13,681	14,556	25,365	24,981
Government mortgage-backed securities	1,133	1,211	1,872	1,966	2,955	3,143
Total securities available for sale	$ 27,901	$ 28,597	$ 38,586	$ 41,058	$ 87,747	$ 89,071

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(In thousands)	At December 31, 2013 Amortized Cost	2013 Fair Value	2012 Amortized Cost	2012 Fair Value	2011 Amortized Cost	2011 Fair Value
Securities held to maturity:						
U.S Government and agency obligations	$ 1,021	$ 1,019	$ —	$ —	$ —	$ —
State agency and municipal obligations	11,461	11,461	3,903	3,903	3,962	3,962
Corporate bonds	1,000	973	1,000	904	1,000	843
Government mortgage-backed securities	334	362	451	485	939	999
Total securities held to maturity	$ 13,816	$ 13,815	$ 5,354	$ 5,292	$ 5,901	$ 5,804

At December 31, 2013, the carrying value of BWFG's investment securities portfolio totaled $42.4 million and represented 5% of total assets, compared to $46.4 million and 8% of total assets at December 31, 2012. This decrease of $4.0 million, or 9%, primarily reflects sales and calls of available-for-sale state agency and municipal obligations and corporate bonds, partially offset by the purchase of a held to maturity municipal bond. At December 31, 2013, BWFG held a municipal bond issued by Stamford Housing Authority, which had amortized cost and fair value of $7.6 million and represented 11% of shareholder's equity. Sales of available-for-sale securities reflected BWFG's strategy to reduce the duration of the portfolio. Realized gains of $648 thousand, recorded in noninterest income, resulted from security sales totaling $9.4 million during the year ended December 31, 2013.

The net unrealized gain position on BWFG's investment portfolio at December 31, 2013 and 2012 was $695 thousand and $2.4 million, respectively and included gross unrealized losses of $349 thousand and $118 thousand, respectively, as of December 31, 2013 and 2012. The gross unrealized losses at December 31, 2013 were concentrated in U.S. Government and agency obligations reflecting interest rate fluctuation. At December 31, 2012, gross unrealized losses were concentrated in corporate bonds and reflected the low interest rate environment as spreads tightened subsequent to purchasing these securities. At December 31, 2013, BWFG determined that there had been no deterioration in credit quality subsequent to purchase and believes that all unrealized losses are temporary. All of BWFG's investment securities are investment grade.

The following tables summarize the amortized cost and weighted average yield of debt securities in BWFG's investment securities portfolio as of December 31, 2013 and 2012, based on remaining period to contractual maturity. Information for mortgage-backed securities is based on the final contractual maturity dates without considering repayments and prepayments.

At December 31, 2013 (Dollars in thousands)	Due Within 1 Year Amount	Due Within 1 Year Yield	Due 1 – 5 Years Amount	Due 1 – 5 Years Yield	Due 5 – 10 Years Amount	Due 5 – 10 Years Yield	Due After 10 Years Amount	Due After 10 Years Yield
Available for Sale:								
U.S. Government and agency obligations	$ —	— %	$ 1,000	1.29%	$ 4,997	1.51%	$ —	— %
State agency and municipal obligations	—	—	—	—	3,125	4.07	8,480	4.20
Corporate bonds	1,019	6.38	8,147	4.05	—	—	—	—

At December 31, 2013	Due Within 1 Year		Due 1 – 5 Years		Due 5 – 10 Years		Due After 10 Years	
Government mortgage-backed securities	—	—	—	—	—	—	1,133	5.23
Total available for sale securities	$ 1,019	6.38%	$ 9,147	3.74%	$ 8,122	2.49%	$ 9,613	4.32%
Held to Maturity:								
U.S. Government and agency obligations	$ —	— %	$ 1,021	1.38%	$ —	— %	$ —	— %
State agency and municipal obligations	—	—	—	—	—	—	11,461	4.50
Corporate bonds	—	—	—	—	1,000	2.90	—	—
Government mortgage-backed securities	—	—	—	—	—	—	334	5.50
Total held to maturity securities	$ —	— %	$ 1,021	1.38%	$ 1,000	2.90%	$ 11,795	4.53%

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At December 31, 2012	Due Within 1 Year		Due 1 – 5 Years		Due 5 – 10 Years		Due After 10 Years	
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available for Sale:								
U.S. Government and agency obligations	$ —	— %	$ —	— %	$ 5,997	1.47%	$ —	— %
State agency and municipal obligations	—	—	—	—	3,631	3.92	13,405	4.25
Corporate bonds	499	4.80	11,113	3.72	2,069	4.97	—	—
Government mortgage-backed securities	—	—	—	—	—	—	1,872	5.12
Total available for sale securities	$ 499	4.80%	$ 11,113	3.72%	$ 11,697	2.85%	$ 15,277	4.36%
Held to Maturity:								
State agency and municipal obligations	$ —	— %	$ —	— %	$ —	— %	$ 3,903	4.25%
Corporate bonds	—	—	—	—	1,000	2.00	—	—
Government mortgage-backed securities	—	—	—	—	—	—	451	5.50
Total held to maturity securities	$ —	— %	$ —	— %	$ 1,000	2.00%	$ 4,354	4.38%

Bank Owned Life Insurance or BOLI

BOLI amounted to $10.0 million as of December 31, 2013, reflecting BWFG's purchase of $10.0 million in life insurance coverage in the fourth quarter of 2013. The purchase of life insurance policies results in an income-earning asset on BWFG's consolidated balance sheet that provides monthly tax-free income to BWFG and also provides a means to mitigate increasing employee benefit costs. BWFG expects to benefit from the BOLI contracts as a result of the tax-free growth in cash surrender value and death benefits that are expected to be generated over time. BOLI is included in BWFG's Consolidated Balance Sheets at its cash surrender value. Increases in the cash surrender value are reported as a component of noninterest income in BWFG's Consolidated Statements of Income.

Sources of Funds

BWFG's sources of funds include deposits, brokered certificates of deposit, FHLBB borrowings and proceeds from the sales, maturities and payments of loans and investment securities. Total deposits represented 85% of BWFG's total assets at December 31, 2013. While scheduled loan and securities repayments are a relatively stable source of funds, loan and investment security prepayments and deposit inflows are influenced by prevailing interest rates and local economic conditions and are inherently uncertain.

Deposits

BWFG offers a wide variety of deposit products and rates to consumer and business customers consistent with FDIC regulations. BWFG's pricing committee meets regularly to determine pricing and marketing initiatives. In addition to being an important source of funding for BWFG, deposits also provide an ongoing stream of fee revenue.

BWFG participates in the Certificate of Deposit Account Registry Service, or CDARS, program. BWFG uses CDARS to place customer funds into certificate of deposit accounts issued by other participating banks. These transactions occur in amounts that are less than FDIC insurance limits to ensure that deposit customers are eligible for FDIC insurance on the full amount of their deposits. Reciprocal amounts of deposits are received from other participating banks that do the same with their customer deposits, and, to a lesser extent, BWFG also executes one-way buy transactions. CDARS deposits are considered to be brokered deposits for bank regulatory purposes. BWFG considers the reciprocal deposit balances to be in-market deposits as distinguished from traditional out-of-market brokered deposits.

Time deposits may also be generated through the use of a listing service. BWFG subscribes to a listing service, accessible to financial institutions, in which BWFG may advertise BWFG's time deposit rates in exchange for a set subscription fee. Interested financial institutions then contact BWFG directly to acquire a time certificate of deposit. There is no third party brokerage service involved in this transaction.

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The following table sets forth the composition of BWFG's deposits for the dates indicated.

	At December 31,							
	2013				2012		2011	
(Dollars in thousands)	Originated	Acquired	Total	Percent	Amount	Percent	Amount	Percent
Noninterest-bearing demand	$102,530	$16,088	$118,618	17.93 %	$78,120	16.91 %	$74,735	20.36 %
NOW	61,560	12,092	73,652	11.13	33,722	7.30	29,036	7.91
Money Market	143,033	21,546	164,579	24.88	94,090	20.36	81,202	22.12
Savings	99,225	8,467	107,692	16.28	136,101	29.45	61,864	16.85
Time certificates of deposit	158,071	9,369	167,440	25.31	75,466	16.33	83,346	22.70
CDARS	29,564	—	29,564	4.47	44,582	9.65	36,932	10.06
Total deposits	$593,983	$67,562	$661,545	100.00%	$462,081	100.00%	$367,115	100.00%

Total deposits were $661.5 million at December 31, 2013, an increase of $199.4 million, or 43%, from balance at December 31, 2012. Of the total increase, $67.6 million, or 15%, was attributable to BWFG's acquisition of The Wilton Bank and $131.8 million, or 28%, was attributable to growth in all deposit categories except savings accounts. Time deposits, excluding CDARS, increased by $92.0 million, or 122%, from year-end 2012, reflecting new certificate of deposit products with nine to twelve-month and one to three-year maturities as well as deposits generated through the listing service. Time deposits were $167.4 million at December 31, 2013 compared to the December 31, 2012 balance of $75.5 million and CDARS deposits were $29.6 million at December 31, 2013 compared to $44.6 million at December 31, 2012. Reciprocal customer deposits comprised $27.6 million, or 93%, of BWFG's total CDARS balance at December 31, 2013.

During 2013, money market accounts increased $70.5 million, or 75%, reflecting promotions for BWFG's premium money market accounts including an attractive guaranteed rate for six months. Noninterest-bearing demand deposits grew by $40.5 million, or 52%, and NOW accounts increased $39.9 million, or 118% due, in part, to product promotions and increased efforts to cross-sell BWFG's products. Savings accounts were $107.7 million at December 31, 2013, down by $28.4 million, or 21%, from December 31, 2012.

At December 31, 2013 and 2012, time deposits and CDARS, with a denomination of $100 thousand or more totaled $150.8 million and $91.7 million, respectively, maturing during the periods indicated in the table below:

	December 31,	
(In thousands)	2013	2012
Maturing:		
• Within 3 months	$ 71,221	$ 59,060
After 3 but within 6 months	22,236	6,062
After 6 months but within 1 year	40,204	11,505
After 1 year	17,152	15,038
	$ 150,813	$ 91,665

Borrowings

Bankwell Bank is a member of the FHLBB, which is part of a twelve district Federal Home Loan Bank System. Members are required to own capital stock of the FHLBB, and borrowings are collateralized by qualifying assets not otherwise pledged (principally single-family residential mortgage loans and securities). The maximum amount of credit that the FHLBB will extend varies from time to time, depending on its policies and the amount of qualifying collateral the member can pledge. Bankwell Bank had satisfied its collateral requirement at December 31, 2013. BWFG utilizes advances from the FHLBB as part of BWFG's overall funding strategy and to meet short-term liquidity needs. Total FHLBB advances were $44.0 million at December 31, 2013 compared to $91.0 million at December 31, 2012. The decrease of $47.0 million, or 52%, reflects less demand for FHLBB borrowings due to strong deposit growth during 2013.

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Advances payable to the FHLBB include short-term advances with original maturity dates of one year or less. The following table sets forth certain information concerning short-term FHLBB advances as of and for the periods indicated in the following table:

(Dollars in thousands)	Year Ended December 31,		
As of and for the period ending:	2013	2012	2011
Average amount outstanding during the period	$ 39,167	$ 29,250	$ 10,417
Amount outstanding at end of period	12,000	51,000	29,000
Highest month end balance during the period	60,000	51,000	36,000
Weighted average interest rate at end of period	0.41 %	0.21 %	0.17 %
Weighted average interest rate during the period	0.28 %	0.23 %	0.24 %

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. BWFG's primary source of liquidity is deposits, which funded approximately 79% of BWFG's total average assets in 2013 and 2012. While BWFG's generally preferred funding strategy is to attract and retain low cost deposits, BWFG's 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., FHLBB term advances and other borrowings), cash flows from BWFG's investment securities portfolios, 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.

BWFG's and Bankwell Bank's liquidity positions are monitored daily by management. Bankwell Bank's board of directors has authorized BWFG's ALCO, as ALCO for Bankwell Bank's board of directors. ALCO establishes guidelines to ensure maintenance of prudent levels of liquidity. ALCO reports to Bankwell Bank's board of directors, as well as BWFG's board of directors.

Bankwell 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. BWFG employs 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. Bankwell Bank has established collateralized borrowing capacity with the Federal Reserve Bank of Boston and also maintains additional collateralized borrowing capacity with the FHLBB in excess of levels used in the ordinary course of business. BWFG's sources of liquidity include cash, unpledged investment securities, borrowings from the FHLBB and the brokered deposit market. At December 31, 2013, BWFG's liquidity sources totaled $424.1 million and represented 54% of total assets, compared to $194.0 million and 32% of total assets at December 31, 2012 and $125.1 million and 26% of total assets at December 31, 2011.

The following table shows BWFG's available liquidity, by source, as of the dates indicated.

	December 31,		
(In thousands)	2013	2012	2011
Available cash	$ 81,888	$ 28,777	$ 6,941
Unpledged investment securities	2,536	5,426	34,737
Net borrowing capacity	339,681	159,801	83,464
Total liquidity	$ 424,105	$ 194,004	$ 125,142

Changes in the balances of BWFG's sources of liquidity have largely resulted from funding new loan growth primarily from increases in BWFG's deposits, and proceeds from commercial mortgage loan sales and BWFG's investment securities portfolio, including calls, maturities and sales of available-for-sale investment securities that have not been fully reinvested. Using deposits to fund loan growth has allowed BWFG to reduce BWFG's balance of and reliance on borrowings from the FHLBB, which has in turn, increased BWFG's borrowing capacity. Also increasing BWFG's borrowing capacity is an increase in

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available mortgage loans to be pledged as collateral, reflecting growth in BWFG's residential and commercial mortgage loan portfolios. The decrease in BWFG's unpledged investment securities relates to BWFG's deliberate reduction of the investment securities portfolio. BWFG's available cash has increased, reflecting acquired balances from The Wilton Bank and the timing of the receipt of proceeds from sales of commercial real estate loans and to cover higher operating expenses as BWFG grows.

Capital Resources

Total shareholders' equity was $69.5 million at December 31, 2013, compared to $51.5 million at December 31, 2012. The $18.0 million, or 35%, increase primarily reflected proceeds of $13.2 million from BWFG's two capital raises, as well as net income of $5.2 million for the year ended December 31, 2013 and a decrease of $1.1 million in the fair value of available for sale securities, largely resulting from securities sales. The ratio of total equity to total assets was 8.91% at December 31, 2013, which compares to 8.45% at December 31, 2012. Tangible book value per common share at December 31, 2013 and 2012 was $15.46 and $14.50, respectively.

Bankwell 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 BWFG's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Bankwell Bank must meet specific capital guidelines that involve quantitative measures of the assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require Bankwell Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets, as defined by regulation. At December 31, 2013, Bankwell 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.

In 2011, BWFG elected to participate in the Treasury's Small Business Lending Fund Program, or SBLF. The SBLF is a $30 billion fund established under the Small Business Jobs Act of 2010 to encourage lending to small businesses by providing Tier 1 Capital to qualified community banks with assets of less than $10 billion. The SBLF funding expanded BWFG's ability to lend to small businesses, which will in turn help stimulate the economy and promote job growth.

On August 4, 2011, the Treasury approved BWFG's request to repay the Treasury's preferred stock investment through participation in the SBLF. We sold 10,980 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series C, no par value, or Series C Preferred Stock, having a liquidation preference of $1,000 per preferred share, to the Treasury and simultaneously repurchased all of the Series A Preferred Stock and Series B Preferred Stock sold to the Treasury in 2009. The transaction resulted in net capital proceeds to BWFG of $5.9 million, of which at least 90% was invested in Bankwell Bank as Tier 1 Capital.

BWFG's shareholders are entitled to dividends when and if declared by BWFG's board of directors out of funds legally available. Connecticut law prohibits BWFG from paying cash dividends except from BWFG's net profits, which are defined by state statutes. The payment of dividends is subject to additional restrictions in connection with BWFG's Series C Preferred Stock. In the years ended December 31, 2013, 2012 and 2011, BWFG declared and paid cash dividends on BWFG's Series C Preferred Stock of $111 thousand, $132 thousand and $206 thousand, respectively. To date, BWFG has not declared or paid dividends on BWFG's common stock. BWFG did not repurchase any of its common stock during the years ended December 31, 2013, 2012 or 2011.

Contractual Obligations

The following table summarizes BWFG's contractual obligations to make future payments as of December 31, 2013. Payments for borrowings do not include interest. Payments related to leases are based on actual payments specified in the underlying contracts.

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(In thousands)	Payments Due by Period Total	Less Than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Contractual Obligations:					
FHLB advances	$ 44,000	$ 22,000	$ 2,000	$ 20,000	$ —
Operating lease agreements	10,897	1,718	2,910	2,079	4,190
Time deposits with stated maturity dates	197,004	173,265	18,001	5,738	—
Total contractual obligations	$ 251,901	$ 196,983	$ 22,911	$ 27,817	$ 4,190

Off-Balance Sheet Instruments

In the normal course of business, BWFG is a party to financial instruments with off-balance sheet risk to meet the financing needs of BWFG's customers. These financial instruments include commitments to extend credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the financial statements. The contractual amounts of these instruments reflect the extent of involvement BWFG has in particular classes of financial instruments.

BWFG enters into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of Bankwell Bank's commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. Bankwell Bank minimizes its exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures.

Commitments to extend credit totaled $117.9 million and $104.8 million, respectively at December 31, 2013 and 2012. The following table summarizes BWFG's commitments to extend credit as of the dates indicated. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements. BWFG manages its liquidity in light of the aggregate amounts of commitments to extend credit and outstanding standby letters of credit in effect from time to time to ensure that BWFG will have adequate sources of liquidity to fund such commitments and honor drafts under such letters of credit.

As of December 31, 2013	Amount of Commitment Expiration per Period				
(In thousands)	Total	Less Than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Other Commitments:					
Loan commitments	$ 61,633	$ 35,236	$ 7,528	$ 5,267	$ 13,602
Undisbursed construction loans	44,670	7,613	6,600	—	30,457
Unused home equity lines of credit	11,575	143	823	1,061	9,548
Total other commitments	$ 117,878	$ 42,992	$ 14,951	$ 6,328	$ 53,607

As of December 31, 2012	Amount of Commitment Expiration per Period				
(In thousands)	Total	Less Than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Other Commitments:					

As of December 31, 2012	**Amount of Commitment Expiration per Period**									
Loan commitments	$	39,339	$	11,828	$	4,679	$	7,077	$	15,755
Undisbursed construction loans		54,705		26,601		6,350		5,748		16,006
Unused home equity lines of credit		10,714		127		—		—		10,587
Total other commitments	$	104,758	$	38,556	$	11,029	$	12,825	$	42,348

Recently Issued Accounting Pronouncements

See Note 1 to BWFG’s Consolidated Financial Statements contained elsewhere in this prospectus for details of recently issued accounting pronouncements and their expected impact on BWFG’s financial statements.

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Asset/Liability Management and Interest Rate Risk

An effective asset/liability management process must balance the risks and rewards from both short and long-term interest rate risks in determining management strategy and action. BWFG's ALCO facilitates and manages this process with the primary goal of maximizing net income and net economic value over time in changing interest rate environments, subject to board of director approved risk limits. ALCO regularly reviews various earnings at risk scenarios for changes in rates, as well as longer-term earnings at risk greater than five years.

The principal strategies BWFG uses to manage interest rate risk include (i) emphasizing the origination, purchase and retention of adjustable rate loans, and the origination and purchase of loans with maturities matched with those of the deposits and borrowings funding the loans, (ii) investing in debt securities with relatively short maturities and/or average lives and (iii) classifying a significant portion of its investment portfolio as available for sale so as to provide sufficient flexibility in liquidity management. By BWFG's strategy of limiting Bankwell Bank's risk to rising interest rates, BWFG is also limiting the benefit of falling interest rates.

BWFG measures 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. BWFG manages 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 BWFG. Because income simulations assume that BWFG's 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.

BWFG uses net interest income at risk simulation to measure the sensitivity of net interest income to changes in market rates over a forward twelve-month period. This simulation captures underlying product behaviors, such as asset and liability re-pricing 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) future balance sheet volume and mix assumptions that are management judgments based on estimates and historical experience; (ii) prepayment projections for loans and securities that are projected under each interest rate scenario using internal and external mortgage analytics; (iii) new business loan rates that are based on recent new business origination experience; and (iv) deposit pricing assumptions that are based on Office of the Comptroller of the Currency, or OCC, guidelines for non-maturity deposits reflecting Bankwell Bank's limited history and management judgment. 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.

BWFG uses two sets of standard scenarios to measure net interest income at risk. For the "core" scenario, 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 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.

The following tables set forth the estimated percentage change in BWFG's net interest income at risk over one-year simulation periods beginning December 31, 2013 and 2012.

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Parallel Ramp	Estimated Percent Change in Net Interest Income At December 31,	
Rate Changes (basis points)	2013	2012
-100	(0.73)%	(0.58)%
+200	(3.63)	(5.69)

Parallel Shock	Estimated Percent Change in Net Interest Income At December 31,	
Rate Changes (basis points)	2013	2012
-100	(1.97)%	(1.55)%
+100	(3.18)	(5.10)
+200	(5.93)	(9.92)
+300	(10.20)	(16.56)

The net interest income at risk simulation results indicate that as of December 31, 2013, BWFG is liability sensitive over the twelve-month forecast horizon, reflecting the high concentration of adjustable rate loans in BWFG's loan portfolio. At current rate levels and a "static" balance sheet, net interest income is projected to exhibit a slight downward trend as investment and loan cashflow continues to reinvest into current lower rates with minimal relief from funding cost reductions. In a rising rate environment, ALCO estimates that the negative exposure of net interest income compared to the current rate level results from funding cost increases outweighing the benefit of assets repricing into higher yields. If rates were to fall further, ALCO projects that net interest income would trend below the current rate level as funding cost relief quickly becomes exhausted as deposit rates reach their implied floors, while asset yields continue to receive pressure as cashflows would be accelerated by faster prepayment speeds and call options on bonds.

BWFG conducts economic value of equity at risk simulation in tandem with net interest income simulations, to ascertain a longer term view of BWFG's interest rate risk position by capturing longer-term re-pricing risk and options risk embedded in the balance sheet. It measures the sensitivity of economic value of equity to changes in interest rates. Economic value of equity at risk simulation values only the current balance sheet and does not incorporate the growth assumptions used in income simulation. As with the net interest income simulation, this simulation captures product characteristics such as loan resets, re-pricing 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. BWFG conducts non-maturity deposit behavior studies on a periodic basis to support deposit assumptions used in the valuation process. 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 BWFG's economic value of equity at risk, assuming various shifts in interest rates.

Parallel Shock	Estimated Percent Change in Economic Value of Equity At December 31,	
Rate Changes (basis points)	2013	2012

Parallel Shock	Estimated Percent Change in Economic Value of Equity	
-100	(4.30)%	(4.39)%
+100	(9.30)	(17.06)
+200	(20.10)	(34.69)
+300	(29.20)	(51.07)

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

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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 BWFG's balance sheet may change to a different degree than estimated. Simulation modeling assumes a static balance sheet, with the exception of certain modeled deposit mix shifts from low-cost core savings deposits to higher-cost time deposits in rising rate scenarios as noted above. Due to the low current level of market interest rates, the banking industry has experienced relatively strong growth in low-cost FDIC-insured core savings deposits over the past several years. ALCO recognizes that a portion of these increased levels of low-cost balances could shift into higher yielding alternatives in the future, particularly if interest rates rise and as confidence in financial markets strengthens, and has modeled increased amounts of deposit shifts out of these low-cost categories into higher-cost alternatives in the rising rate simulation scenarios presented above.

It should be noted that the static balance sheet assumption does not necessarily reflect BWFG's 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 savings 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. The assumed relationship between short-term interest rate changes and core deposit rate and balance changes used in income simulation may differ from ALCO's estimates. 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.

Impact of Inflation

BWFG's financial statements and related data contained in this prospectus 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.

Critical Accounting Policies and Estimates

The discussion and analysis of BWFG's results of operations and financial condition are based on BWFG's consolidated financial statements, which have been prepared in accordance with GAAP and with general practices within the financial services industry. The preparation of financial statements in conformity with GAAP requires BWFG to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from BWFG's current estimates, as a result of changing conditions and future events. The current economic environment has increased the degree of uncertainty inherent in these significant estimates.

BWFG believes that accounting estimates for the allowance for loan losses, fair values of securities and deferred taxes are particularly critical and susceptible to significant near-term change.

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Allowance for Loan Losses

Determining an appropriate level of allowance for loan losses necessarily involves a high degree of judgment. BWFG uses a methodology to systematically measure the amount of estimated loan loss exposure inherent in the loan portfolio for purposes of establishing a sufficient allowance for loan losses. The methodology includes three elements:

(1)

- Loss allocations are identified for individual loans deemed to be impaired in accordance with GAAP. Impaired loans are loans for which it is probable that Bankwell Bank will not be able to collect all amounts due according to the contractual terms of the loan agreements and all loans restructured in a troubled debt restructuring. Impaired loans do not include large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, which consist of most residential mortgage loans and consumer loans. Impairment is measured on a discounted cash flow method based upon the loan’s contractual effective interest rate, or at the loan’s observable market price, or if the loan is collateral dependent, at the fair value of the collateral less costs to sell. For collateral dependent loans, management may adjust appraised values to reflect estimated market value declines or apply other discounts to appraised values for unobservable factors resulting from its knowledge of circumstances associated with the property.

(2)

- Loss allocations for non-impaired loans are based on historical loss experience, credit, grade, delinquency factors and other similar credit quality indicators, adjusted for qualitative factors. Qualitative factors include, but are not limited to, the value of underlying collateral, concentrations of credit, current economic conditions, the state of the business cycle and competitive and regulatory issues.

Individual commercial loans and commercial mortgage loans not deemed to be impaired are evaluated using an internal rating system and the application of loss allocation factors. The loan rating system is described under the caption “Credit quality indicators” in Note 5 of the Notes to Consolidated Financial Statements. The loan rating system and the related loss allocation factors take into consideration parameters including the borrower’s financial condition, the borrower’s performance with respect to loan terms, and the adequacy of collateral. BWFG periodically reassesses and revises the loss allocation factors used in the assignment of loss exposure to appropriately reflect BWFG’s analysis of migrational loss experience. BWFG analyzes historical loss experience over periods deemed to be relevant to the inherent risk of loss in the commercial loans and commercial mortgage loan portfolios as of the balance sheet date. BWFG adjusts loss allocations for various factors including trends in real estate values, trends in rental rates on commercial real estate, and BWFG’s assessments of credit risk associated with certain industries and an ongoing trend toward larger credit relationships.

Portfolios of more homogeneous populations of loans, including the various categories of residential mortgages and consumer loans are analyzed as groups taking into account delinquency ratios and other indicators and BWFG’s historical loss experience for each type of credit product. BWFG analyzes historical loss experience over periods deemed to be relevant to the inherent risk of loss in residential mortgage and consumer loan portfolios as of the balance sheet date. BWFG periodically updates these analyses and adjust the loss allocations for various factors that BWFG believes are not adequately presented in historical loss experience including trends in real estate values, changes in unemployment levels and increases in delinquency levels. These factors are also evaluated taking into account the geographic location of the underlying loans.

(3)

- An unallocated allowance may or may not be required and is for measurement imprecision attributable to uncertainty in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Because the methodology is based upon historical loss experience and trends, current economic data as well as management's judgment, factors may arise that result in different estimations. Adversely different conditions or assumptions could lead to increases in the allowance. In addition, various regulatory agencies periodically review the allowance for loans losses. Such agencies may require additions to the allowance based on their judgments about information available to them at the time of their examination. As of December 31, 2013, BWFG's management believes that the allowance is adequate and consistent with asset quality and delinquency indicators.

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BWFG's Audit Committee of the board of directors is responsible for oversight of the loan review process. This process includes review of Bankwell Bank's procedures for determining the adequacy of the allowance for loan losses, administration of its internal credit rating systems and the reporting and monitoring of credit granting standards.

Valuation of Investment Securities

Securities that BWFG has the ability and intent to hold until maturity are classified as held-to-maturity and are accounted for using historical cost, adjusted for amortization of premium and accretion of discount. Securities available for sale are carried at fair value, with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income or loss in shareholders' equity. The fair values of securities are based on either quoted market prices, third party pricing services or third party valuation specialists. When the fair value of an investment security is less than its amortized cost basis, BWFG assesses whether the decline in value is other-than-temporary. BWFG considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for impairment, the severity and duration of the impairment, changes in the value subsequent to the reporting date, forecasted performance of the issuer, changes in the dividend or interest payment practices of the issuer, changes in the credit rating of the issuer or the specific security, and the general market condition in the geographic area or industry the issuer operates in.

Future adverse changes in market conditions, continued poor operating results of the issuer, projected adverse changes in cash flows which might impact the collection of all principal and interest related to the security, or other factors could result in further losses that may not be reflected in an investment's current carrying value, possibly requiring an additional impairment charge in the future.

Deferred Taxes

BWFG uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Significant judgment is exercised in evaluating the amount and timing of recognition of the resulting tax liabilities and assets, including projections of future taxable income. These judgments and estimates are reviewed continually as regulatory and business factors change.

Emerging Growth Company

The JOBS Act permits BWFG, as an "emerging growth company", to take advantage of an extended transition period to comply with new or revised accounting standards and not commence complying with new or revised accounting standards until private companies must do so. Under the JOBS Act, BWFG may make an irrevocable election to "opt out" of that extended transition period and comply with new or revised accounting standards when public companies that are not emerging growth companies must commence complying with those standards. BWFG has elected to "opt out" of the extended transition period.

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The Wilton Bank Selected Financial Information As of September 30, 2013 and December 31, 2012 and 2011 and For the Nine Months Ended September 30, 2013 and 2012 and the Years Ended December 31, 2012 and 2011.

This section presents The Wilton Bank management's perspective on The Wilton Bank's financial condition and results of operations. The following discussion and analysis should be read in conjunction with the financial statements and related notes of The Wilton Bank contained elsewhere in this prospectus. 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 sections titled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors." BWFG assumes no obligation to update any of these forward-looking statements.

General

The Wilton Bank is a state chartered commercial bank located in Wilton, Connecticut, whose deposits are insured by the Federal Deposit Insurance Corporation, or the FDIC. The Wilton Bank provides a full range of banking services to commercial and consumer customers, primarily located within its community and the surrounding area. The Wilton Bank is subject to competition from other financial institutions throughout the region. The Wilton Bank is also subject to the regulations of certain federal and state regulatory agencies and undergoes periodic examinations by those regulatory authorities.

The Wilton Bank was acquired by BWFG, on November 5, 2013.

The following discussion and analysis presents The Wilton Bank's results of operations and financial condition for the periods presented.

Overview

Beginning in 2007, softening real estate markets, and generally weak economic conditions led to declines in collateral values and stress on the cash flows of borrowers. As a result of The Wilton Bank's lending concentrations in construction and development loans, The Wilton Bank's loan portfolio was severely affected. These adverse economic conditions continued into 2013 placing further stress on The Wilton Bank's borrowers, resulting in increases in charge-offs, delinquencies and non-performing loans, and in some instances, lower valuations for The Wilton Bank's impaired loans and other real estate owned. During 2013, The Wilton Bank continued to deal with problem assets, both nonaccrual loans and foreclosed real estate, with the effects of the artificially low interest rate environment, with the extremely competitive market for loan originations, and with the shortfall in The Wilton Bank's Tier 1 capital requirement as contained in the Consent Agreement, defined below.

In July 2010, The Wilton Bank agreed to the issuance of a formal, written Consent Agreement with the FDIC and the State of Connecticut Department of Banking, or Banking Department. Under the terms of the Consent Agreement, The Wilton Bank was required to maintain its Tier 1 capital ratio at least equal to 12% to total assets, Tier 1 risk-based capital at least equal to 12% of total risk-weighted assets, and total risk-based capital at least equal to 15% of total risk-weighted assets. The Consent Agreement further provided for certain asset growth restrictions together with the reduction of The Wilton Bank's risk position in certain classified assets, and a restriction on the extension of credit to borrowers whose loans are so criticized.

At September 30, 2013, and December 31, 2012, The Wilton Bank was not in compliance with the Consent Agreement's minimum 12% Tier 1 Capital requirement, however, all other requirements had been met. In December 2012, The Wilton Bank submitted an updated Capital Plan to the FDIC and the Banking Department. The Wilton Bank operated under the updated Capital Plan through the acquisition date of November 5, 2013, at which time the Consent Agreement ceased to apply and was not binding on the surviving bank, Bankwell Bank.

Earnings Overview

As a result of the decline in The Wilton Bank's business and the restrictions imposed by its regulators, The Wilton Bank has not been profitable since 2008. The Wilton Bank has focused on dealing with problem

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loans and foreclosed real estate, continuing to comply with the terms of the Consent Agreement where possible, and decreasing expenses when possible.

2013 Earnings Summary

The Wilton Banks's net loss for the nine months ended September 30, 2013 was $1.5 million, an increase of $349 thousand, or 31%, compared to the first nine months of 2012. The major components of this increase were the $193 thousand decrease in net interest income coupled with the $146 thousand increase in noninterest expense, most notably the $174 thousand increase in professional services as a result of legal and consulting fees related to the implementation of the capital plan.

2012 Earnings Summary

The Wilton Bank's net loss for the year ended December 31, 2012, was $1.7 million, a decrease of $1.6 million from a net loss of $3.3 million for the year ended December 31, 2011. A major component of this decrease was the approximate $1.4 million charge to federal income tax expense in 2011 that established a deferred-tax valuation allowance. Also impacting this decrease was the $900 thousand provision for loan losses in 2011 without such a provision for 2012. In addition, The Wilton Bank recorded a legal settlement recovery to income on its FHLMC auction rate preferred stock of approximately $796 thousand during 2011.

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 The Wilton Bank's 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. The average balances are principally daily averages and, for loans, include performing and non-performing balances. Interest income on loans includes the effect of deferred loan fees and costs accounted for as yield adjustments, but does not include interest on loans for which The Wilton Bank has ceased to accrue interest. Premium amortization and discount accretion are included in the respective interest income and interest expense amounts.

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The following tables present average balance sheet information, interest income, interest expense and the corresponding average yields earned and rates paid for the nine months ended September 30, 2013 and 2012 and for the years ended December 31, 2012 and 2011.

	Nine months ended September 30,					
	2013			2012		
(Dollars in thousands)	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate
Assets:						
Cash and due from banks	$ 1,979	$ —	— %	$ 1,758	$ —	— %
Interest earning deposits	32,003	117	0.49	23,198	99	0.57
Securities (1)	1,028	2	0.26	1,246	11	1.18
Loans:						
Loans secured by non-residential properties	9,010	310	4.60	10,580	408	5.15
Loans secured by residential properties	7,498	369	6.58	7,771	328	5.64
Construction, development and land loans (2)	11,369	311	3.66	16,052	428	3.56
Commercial and industrial loans	2,538	105	5.53	3,292	167	6.78
Consumer, personal and other loans	1,249	64	6.85	976	56	7.66
Total loans	31,664	1,159	4.89	38,671	1,387	4.79
Total earning assets	64,695	$ 1,278	2.64%	63,115	$ 1,497	3.17%
Other assets	6,835			7,758		
Total assets	$ 73,509			$ 72,631		
Liabilities and shareholders' equity:						
Deposits:						
Noninterest-bearing	$ 14,473	$ —	— %	$ 13,894	$ —	— %
NOW	12,943	5	0.08	11,577	6	0.10
Money market	22,061	49	0.45	20,468	54	0.53
Savings	5,085	3	0.12	5,018	8	0.32
Time	11,391	49	0.87	12,264	65	1.06
Total deposits	65,953	106	0.32	63,221	133	0.42
Federal Home Loan Bank advances	—	—	—	—	—	—
Total funding liabilities	65,953	$ 106	0.32%	63,221	$ 133	0.42%
Other liabilities	209			210		
Shareholders' equity	7,347			9,200		
Total liabilities and shareholders' equity	$ 73,509			$ 72,631		
Net interest income		$ 1,172			$ 1,364	
Interest rate spread			2.32%			2.75%
Net interest margin (3)			2.42%			2.89%

(1)

- Average balances and yields for securities are based on amortized cost.

(2)

- Includes commercial and residential real estate construction.

(3)

- Net interest income as a percentage of total earning assets.

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	Years ended December 31,					
	2012			2011		
(Dollars in thousands)	**Average Balance**	**Interest**	**Yield / Rate**	**Average Balance**	**Interest**	**Yield / Rate**
Assets:						
Cash and due from banks	$ 1,824	$ —	— %	$ 1,650	$ —	— %
Interest earning deposits	24,076	134	0.56	17,514	92	0.53
Securities (1)	1,222	14	1.15	6,019	62	1.03
Loans:						
Loans secured by non-residential properties	10,526	541	5.14	10,129	575	5.68
Loans secured by residential properties	7,883	411	5.21	9,600	397	4.14
Construction, development and land loans (2)	15,510	558	3.60	21,173	536	2.53
Commercial and industrial loans	3,196	214	6.70	4,444	300	6.75
Consumer, personal and other loans	1,093	82	7.50	905	72	7.96
Total loans	38,208	1,806	4.73	46,251	1,880	4.06
Total earning assets	63,506	$ 1,954	3.08 %	69,784	$ 2,034	2.91 %
Other assets	7,711			7,017		
Total assets	$ 73,041			$ 78,451		
Liabilities and shareholders' equity:						
Deposits:						
Noninterest-bearing	$ 14,009	$ —	— %	$ 13,056	$ —	— %
NOW	11,669	9	0.08	13,099	10	0.08
Money market	20,755	73	0.35	22,365	100	0.45
Savings	5,057	10	0.20	4,560	12	0.26
Time	12,319	85	0.69	13,806	122	0.88
Total deposits	63,809	177	0.28	66,886	244	0.36
Federal Home Loan Bank advances	—	—	—	—	—	—
Total funding liabilities	63,809	$ 177	0.28 %	66,886	$ 244	0.36 %
Other liabilities	222			251		
Shareholders' equity	9,010			11,314		
Total liabilities and shareholders' equity	$ 73,041			$ 78,451		
Net interest income		$ 1,777			$ 1,790	
Interest rate spread			2.80 %			2.55 %
Net interest margin (3)			2.80 %			2.57 %

(1)

- Average balances and yields for securities are based on amortized cost.

(2)

- Includes commercial and residential real estate construction.

(3)

- Net interest income as a percentage of total earning assets.

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
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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.

	Nine Months Ended September 30, 2013 vs 2012 Increase (Decrease)			**Year Ended December 31, 2012 vs 2011 Increase (Decrease)**		
(In thousands)	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest and dividend income:						
Interest earning deposits	$ 29	$ (11)	$ 18	$ 36	$ 6	$ 42
Securities	(2)	(7)	(9)	(56)	8	(48)
Loans:						
Loans secured by non-residential properties	(57)	(41)	(98)	24	(58)	(34)
Loans secured by residential properties	(13)	54	41	(50)	64	14
Construction, development and land loans	(118)	1	(117)	(38)	60	22
Commercial and industrial loans	(34)	(28)	(62)	(84)	(2)	(86)
Consumer, personal and other loans	13	(5)	8	14	(4)	10
Total loans	(209)	(19)	(228)	(134)	60	(74)
Total change in interest and dividend income	(182)	(37)	(219)	(154)	74	(80)
Interest expense:						
Deposits:						
NOW	1	(2)	(1)	(1)	—	(1)
Money market	5	(10)	(5)	(7)	(20)	(27)
Savings	—	(5)	(5)	2	(4)	(2)
Time	(4)	(12)	(16)	(12)	(25)	(37)
Total deposits	2	(29)	(27)	(18)	(49)	(67)
Total change in interest expense	2	(29)	(27)	(18)	(49)	(67)
Change in net interest income	$ (184)	$ (8)	$ (192)	$ (136)	$ 123	$ (13)

Nine months ended September 30, 2013 compared to nine months ended September 30, 2012

Net interest income for the nine months ended September 30, 2013 and 2012 was $1.2 million and $1.4 million, respectively. The Wilton Bank's net interest margin (net interest income as a percentage of average interest-earning assets) declined 47 basis points to 2.42% for the nine month period ended September 30, 2013, compared to 2.89% for the same period in 2012. The major component of this decrease was the $227 thousand dollar decrease in interest and fees on loans, mainly as a result of lower average balances outstanding.

Interest income for the nine months ended September 30, 2013 decreased by $220 thousand to $1.3 million or 15%, from the comparative 2012 period. This decrease was mainly attributable to the $227 thousand decrease in loan income from $1.4 million in the 2012 period to $1.2 million on the 2013 period. Average loan balances decreased $7.0 million from $38.7 million in the 2012 period to $31.7 million in the 2013 period. This decrease was partially mitigated by the decrease in average nonaccrual loans outstanding, which is a component of average loans. There was a decrease of $3.1 million from $9.7 million in the 2012 period to $6.6 million in the 2013 period. In addition, there was an $18 thousand, or 18%, increase in income on interest earning deposits, mainly as a result of the $8.8 million increase in average balances outstanding from $23.2 in the 2012 period to $32.0 million in the 2013 period.

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Interest expense for the nine months ended September 30, 2013, decreased by $27 thousand, or 20%, over interest expense for the comparative 2012 period. This decrease was mainly the result of the continued overall lower interest rate pricing on deposits, coupled with the lower interest rate repricing on time deposits as they matured. The average rate paid for deposits decreased 0.10% from 0.42% in the 2012 period, to 0.32% in the 2013 period. This decrease occurred despite the fact that average interest-bearing liabilities increased $2.2 million from $49.3 million in the 2012 period to $51.5 million in the 2013 period, reflecting the lower interest rate environment.
Year ended December 31, 2012 compared to year ended December 31, 2011
Net interest income totaled $1.8 million for the years ended December 31, 2012 and 2011. Net interest margin increased 23 basis points to 2.80% in 2012 from 2.57% in 2011, primarily due to the decrease in average nonaccrual loan balances loans during 2012, which were approximately $6.6 million lower than the 2011 period.
Interest income for the year ended December 31, 2012 decreased by $80 thousand to $2.0 million, or 4%, from interest income for 2011. This decrease was mainly attributable to the $74 thousand decrease in loan income from $1.9 million in 2011 to $1.8 million in 2012. Average loan balances decreased $8.1 million from $46.3 million in 2011 to $38.2 million in 2012. This decrease was partially mitigated by the decrease in average nonaccrual loans outstanding, which is a component of average loans. There was a decrease of $6.6 million from $16.3 million in 2011 to $9.7 million in 2012. In addition, there was a $42 thousand, or 46%, increase in 2012 compared to 2011 in income on interest earning deposits, mainly as a result of the $6.6 million increase in average balances outstanding from $17.5 million in 2011 to $24.1 million in 2012.
Interest expense for the year ended December 31, 2012 decreased by $67 thousand, or 27%, compared to interest expense for 2011. This decrease was mainly the result of overall lower interest rate pricing on deposits, coupled with the lower interest rate repricing on time deposits as they matured. The average rate paid for deposits decreased 0.08% from 0.36% in 2011, to 0.28% in 2012. Average earning deposits decreased $4.0 million from $53.8 million in 2011 to $49.8 million in 2012.
Provision for Loan Losses
The provision for loan losses is based on management's periodic assessment of the adequacy of The Wilton Banks's allowance for loan losses which, in turn, is based on such interrelated factors as the composition of its 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 The Wilton Bank's allowance for loan losses and reflects its management's best estimate of probable losses inherent in its loan portfolio at the balance sheet date.
There was no provision for loan losses recorded for the nine months ended September 30, 2013 and 2012, reflecting the aggressive loan write-downs and charge-offs that had been previously taken. For the years ended December 31, 2012 and 2011, the provision for loan losses was $0 and $900 thousand, respectively. Loans charged off in 2011 totaled $1.6 million, as compared to $193 thousand for 2012.
Noninterest Income
Noninterest income is a component of The Wilton Bank's revenue and is primarily comprised primarily of fees generated from loan and deposit relationships with customers. The following table compares noninterest income for the nine months ended September 30, 2013 and 2012 and for the years ended December 31, 2012 and 2011.

	Nine Months Ended September 30,		**Years Ended December 31,**		**2013 / 2012 Nine Months Change**		**2012 / 2011 Year Change**	
(Dollars in thousands)	**2013**	**2012**	**2012**	**2011**	**$**	**%**	**$**	**%**
Service charges and fees	$ 65	$ 74	$ 101	$ 93	$ (9)	(12)%	$ 8	9 %
Recovery from legal settlement	—	—	—	796	—	—	(796)	(100)
Other	129	130	177	172	(1)	(1)	5	3
	$ 194	$ 204	$ 278	$ 1,061	$ (10)	(5)%	$ (783)	(74)%

	Nine Months Ended September 30,	Years Ended December 31,	2013 / 2012 Nine Months Change	2012 / 2011 Year Change
Total noninterest income				

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Nine months ended September 30, 2013 compared to nine months ended September 30, 2012

Noninterest income totaled $194 thousand for the nine months ended September 30, 2013, compared to $204 thousand for the same period in 2012. The decrease primarily reflects a decrease of $9 thousand in service charges and fees.

Service charges and fees. The Wilton Bank earns fees from customers for deposit-related services. For the nine months ended September 30, 2013, service charges and fees totaled $65 thousand. The decrease of $9 thousand, or 12%, over the nine months ended September 30, 2012 mainly reflects an $8 thousand decrease in non-sufficient fund charges.

Other. For the nine months ended September 30, 2013, other noninterest income totaled $129 thousand, compared to $130 thousand for the same period in 2012. A major component of other income is rental income, which totaled $83 thousand for both 2013 and 2012 periods.

Year ended December 31, 2012 compared to year ended December 31, 2011

Noninterest income totaled $278 thousand in 2012, a decline of $783 thousand from 2011, primarily reflecting a $796 thousand recovery from a legal settlement received in 2011.

Service charges and fees. For the year ended December 31, 2012, service charges and fees totaled $101 thousand. The increase of $8 thousand, or 9%, over the year ended December 31, 2011 reflects an increase in NSF charges of $10 thousand.

Recovery from legal settlement. During 2008, The Wilton Bank recorded other-than-temporary impairments totaling $1.6 million on its investments in auction rate preferred securities collateralized by Freddie Mac preferred stock. During 2009, The Wilton Bank sold all of its Freddie Mac preferred stock at an additional loss of $28 thousand. During 2011, The Wilton Bank received a settlement of $796 thousand related to these losses.

Other. For the years ended December 31, 2012 and 2011 other noninterest income totaled $177 thousand and $172 thousand, respectively. A major component of other income is rental income, which totaled $114 thousand and $105 thousand, respectively for the years ended December 31, 2012 and 2011.

Noninterest expense

The following table compares noninterest expense for the nine months ended September 30, 2013 and 2012 and for the years ended December 31, 2012 and 2011.

	Nine Months Ended September 30,		**Years Ended December 31,**		**2013 / 2012 Nine Months Change**		**2012 / 2011 Year Change**	
(Dollars in thousands)	**2013**	**2012**	**2012**	**2011**	**$**	**%**	**$**	**%**
Salaries and employee benefits	$ 1,241	$ 1,232	$ 1,624	$ 1,758	$ 9	1 %	$ (134)	(8)%
Loss and expenses on foreclosed real estate, net	192	251	495	335	(59)	(24)	160	48
Professional services	427	253	394	397	174	69	(3)	(1)
Occupancy and equipment	245	253	339	327	(8)	(3)	12	4
Insurance	163	150	201	203	13	9	(2)	(1)
Data processing	150	120	161	151	30	25	10	7
FDIC insurance	116	117	154	178	(1)	(1)	(24)	(13)

	Nine Months Ended September 30,		Years Ended December 31,		2013 / 2012 Nine Months Change		2012 / 2011 Year Change	
Non-accrual loan expenses, net of recoveries	2	(26)	(22)	56	28	108	(78)	(139)
Other	315	355	450	465	(40)	(11)	(15)	(3)
Total noninterest expense	$ 2,851	$ 2,705	$ 3,796	$ 3,870	$ 146	5 %	$ (74)	(2)%

Nine months ended September 30, 2013 compared to nine months ended September 30, 2012

Noninterest expense was $2.9 million for the nine months ended September 30, 2013, compared to $2.7 million for the nine months ended September 30, 2012. The increase of $146 thousand, or 5%, was mainly due to the increase in professional services.

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Salaries and employee benefits. Salaries and employee benefit costs are the largest component of noninterest expense and include employee payroll expense, health insurance, benefit plans and payroll taxes. Salaries and employee benefits increased by $9 thousand, for the nine months ended September 30, 2013 compared to the same period in 2012.

Loss and expenses on foreclosed real estate, net. Expenses related to properties acquired through foreclosure or repossession are included in foreclosed real estate costs. For the nine months ended September 30, 2013 and 2012, the net loss and expenses on foreclosed real estate were $192 thousand and $251 thousand, respectively. These charges not only reflect the actual cost of holding and maintaining these properties, but also any gain or loss on disposition and charges to income based on reevaluations of the value of the real estate. For the 2012 period, writedowns in value of other real estate owned totaled $53 thousand, compared to $240 thousand for the 2013 period.

Professional services. Professional services include legal, audit and professional fees paid to external parties. For the nine months ended September 30, 2013 professional services increased by $174 thousand, or 69%, compared to the nine months ended September 30, 2012, primarily reflecting higher consulting and legal expenses related to compliance with the Consent Agreement and merger expenses.

Occupancy and equipment. Depreciation, real estate tax and maintenance costs make up the majority of occupancy and equipment expenses, which decreased by $8 thousand, or 3%, totaling $245 thousand in the nine months ended September 30, 2013, compared to $253 thousand for the nine months ended September 30, 2012.

Insurance. Insurance expense, which consists of financial institution bond and director and officer and related liability insurance, totaled $163 thousand and $150 thousand for the nine months ended September 30, 2013 and 2012, respectively. These costs were up substantially from prior years reflecting the increased costs associated with The Wilton Bank operating under a Consent Agreement.

Data processing. Data processing expense for The Wilton Bank's core systems totaled $150 thousand for the nine months ended September 30, 2013, compared to $120 thousand for the nine months ended September 30, 2012. This 25% increase is mainly attributable to a contract surcharge while operating in a month-to-month fashion.

FDIC insurance. The Wilton Bank is subject to risked-based assessment fees by the FDIC for deposit insurance. For the nine months ended September 30, 2013 and 2012, FDIC insurance expense was $116 thousand and $117 thousand, respectively.

Non-accrual loan expenses, net of recoveries. Non-accrual loan expense totaled $2 thousand and ($26) thousand for the nine months ended September 30, 2013 and 2012, respectively.

Other. These expenses include costs for communications, supplies, education and training, business development activities and other operations. For the nine months ended September 30, 2013 and 2012, other noninterest expenses totaled $315 thousand and $355 thousand, respectively. The $40 thousand decrease was attributable to a number of expenses, such as printing, supplies, meetings and other items, and was influenced by the merger discussions between The Wilton Bank and BWFG.

Year ended December 31, 2012 compared to year ended December 31, 2011

Noninterest expense was $3.8 million for the year ended December 31, 2012, a decrease of $74 thousand, or 2%, compared to 2011.

Salaries and employee benefits. Salaries and employee benefits totaled $1.6 million for the year ended December 31, 2012, a decrease of $134 thousand, or 8%, compared to 2011.

Loss and expenses on foreclosed real estate, net. For the years ended December 31, 2012 and 2011, foreclosed real estate expenses were $495 thousand and $335 thousand, respectively. These charges not only reflect the actual cost of holding and maintaining these properties, but also any charges to income based on reevaluations of the value of the real estate. For 2011, write-downs in value of other real estate owned totaled $281 thousand, compared to $280 thousand for 2012.

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Professional services. Professional services decreased by $3 thousand for 2012, totaling $394 thousand and $397 thousand for the 2012 and 2011 years, respectively.

Occupancy and equipment. Occupancy and equipment costs increased by $12 thousand in 2012, from $327 thousand in 2011 to $339 thousand in 2012, mainly reflecting increased building expenses.

Insurance. Insurance expense, which consists of financial institution bond and director and officer and related liability insurance, totaled $201 thousand and $203 thousand for the years ended December 31, 2012 and 2011, respectively. These costs were up substantially from prior years reflecting the increased costs associated with The Wilton Bank operating under the Consent Agreement.

Data processing. Data processing expense for The Wilton Bank's core systems totaled $161 thousand for the year ended December 31, 2012, compared to $151 thousand for the year ended December 31, 2011, mainly as a result of increased usage of service offered.

FDIC insurance. FDIC insurance expense for the year ended December 31, 2012, declined by $24 thousand, or 13%, from the year ended December 31, 2011, reflecting lower assessment rates and a statutory change in the calculation method that was effective for the second quarter of 2011.

Non-accrual loan expenses, net of recoveries. Non-accrual loan expense totaled ($22) thousand and $56 thousand for the years ended December 31, 2012 and 2011, respectively.

Other. Other expense for the year ended December 31, 2012, declined by $15 thousand, or 3%, from $465 thousand for the year ended December 31, 2011, to $450 thousand for 2012.

Income Taxes

Income tax expense for the year ended December 31, 2011was $1.4 million; during 2012 there was no provision or benefit. In 2011, The Wilton Bank established a deferred-tax valuation allowance against its net deferred tax assets. Due to the magnitude of The Wilton Bank's losses, management concluded that it was more likely than not that The Wilton Bank would be unable to realize its deferred tax assets related to net operating losses and accordingly established this valuation allowance equal to 100% of its deferred tax assets.

Financial Condition

Summary

In July 2010, The Wilton Bank agreed to the issuance of a Consent Agreement with the FDIC and the Banking Department. Under the terms of the Consent Agreement, The Wilton Bank was required to maintain its Tier 1 capital ratio at least equal to 12% to total assets, Tier 1 risk-based capital at least equal to 12% of total risk-weighted assets, and total risk-based capital at least equal to 15% of total risk-weighted assets. The Consent Agreement further provided for certain asset growth restrictions together with the reduction of Wilton Bank's risk position in certain classified assets, and a restriction on the extension of credit to borrowers whose loans are so criticized.

At September 30, 2013 and December 31, 2012, The Wilton Bank was not in compliance with the Consent Agreement's minimum 12% Tier 1 Capital requirement, however all other requirements had been met. In December 2012, The Wilton Bank submitted an updated Capital Plan to the FDIC and the Banking Department, which The Wilton Bank operated under through the acquisition date of November 5, 2013, at which time the Consent Agreement ceased to apply and was not binding on the surviving bank, Bankwell Bank.

Total assets at September 30, 2013 were $69.6 million, a decrease of $6.5 million, or 9%, from the December 31, 2012 balance of $76.1 million, mainly reflecting a decrease in gross loans outstanding of $3.8 million, or 11%. There was also a decrease in other real estate owned of $1.4 million, or 42%, from $3.3 million at December 31, 2012 to $1.9 million at September 30, 2013. Net loans were $28.9 million at September 30, 2013, a decrease of $3.6 million from the $32.5 million at December 31, 2012. There were declines in all loan categories with the largest decline occurring in loans secured by nonresidential properties with a decline of $1.4 million, or 14%.

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Total liabilities at September 30, 2013 were $63.1 million, a decrease of $5.0 million from the December 31, 2012 balance of $68.1 million, reflecting a decrease in deposits of $5.2 million. Shareholders' equity totaled $6.5 million at September 30, 2013, a decrease of $1.5 million, or 19%, from December 31, 2012, largely reflecting the net loss for the period.

Loan Portfolio

The Wilton Bank originates commercial and residential real estate loans, including construction loans, commercial business loans, home equity and other consumer loans. Lending activities are primarily conducted within the market of Fairfield County and surrounding region of Connecticut.

Total loans before deferred loan fees were $29.9 million at September 30, 2013, a decrease of $3.8 million, or 11%, from the $33.7 million at December 31, 2012, a decrease of $11.4 million, or 28%, from the balance at December 31, 2011. Since December 31, 2007, total loans have decreased $30.2 million from $60.1 million, reflecting the weak economy in which The Wilton Bank was operating, the highly competitive market for new loans and The Wilton Bank's efforts in dealing with its problem loans. Construction loans have experienced the most significant downturn mainly due to the economic downturn and related factors and the fact that The Wilton Bank had a concentration in this area. Construction loans were down $7.7 million, or 42%, and $807 thousand, or 7%, from December 31, 2011 and 2012, respectively.

The following table compares The Wilton Bank's loan portfolio for the dates indicated:

(Dollars in thousands)	At September 30, 2013 Amount	At September 30, 2013 Percent of Loan Portfolio	At December 31, 2012 Amount	At December 31, 2012 Percent of Loan Portfolio	At December 31, 2011 Amount	At December 31, 2011 Percent of Loan Portfolio
Real estate loans:						
Loans secured by residential properties	$ 6,861	22.98 %	$ 7,951	23.62 %	$ 8,129	19.67 %
Loans secured by non-residential properties	8,873	29.72	10,298	30.60	10,684	25.85
Construction, development and land loans	10,539	35.30	11,347	33.71	18,204	44.04
	26,273	88.00	29,596	87.93	37,017	89.56
Commercial and industrial loans	2,400	8.04	2,692	8.00	3,599	8.71
Consumer, personal and other loans	1,184	3.96	1,368	4.07	714	1.73
Total loans	$ 29,857	100.00 %	$ 33,656	100.00 %	$ 41,330	100.00 %

Primary loan categories

Loans secured by residential properties. Residential real estate loans decreased by $1.1 million, or 14%, in the nine month period ended September 30, 2013 compared to the same period in 2012, and by $178 thousand, or 2% year-over-year, in fiscal year 2012, and totaled $6.9 million, or 23% of total loans, at September 30, 2013. The Wilton Bank does not originate traditional residential real estate loans for the purchase of real estate. The majority of The Wilton Bank's residential real estate portfolio consists of loans collateralized by residential real estate.

Loans secured by non-residential properties. Commercial real estate loans were $8.9 million and represented 30% of the total portfolio, at September 30, 2013, a net decrease of $1.4 million, or 14%, from December 31, 2012. During 2012, commercial real estate loans decreased by $386 thousand, or 4%, from December 31, 2011. Commercial real estate loans are secured by a variety of property types, including office buildings, retail facilities, commercial mixed use and multi-family dwellings.

Commercial and industrial loans. Commercial business loans were $2.4 million and represented 8% of the total loan portfolio at September 30, 2013, compared to $2.7 million, or 8% of the total portfolio, at December 31, 2012 and $3.6 million, or 9% of the total loan portfolio, at December 31, 2011. Commercial business loans primarily provide working capital, equipment financing, financing for leasehold improvements and financing for expansion and are generally secured by assignments of corporate assets, real estate and personal guarantees of the business owners.

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Construction, development and land loans. Construction loans were $10.5 million at September 30, 2013, a decrease of $808 thousand from December 31, 2012, with the majority outstanding attributable to residential construction. Construction loans totaled $11.3 million at December 31, 2012 and $18.2 million at December 31, 2011. Residential construction loans are made to finance the construction of residential dwellings.

Consumer, personal and other loans. Consumer loans totaled $1.2 million at September 30, 2013 compared to $1.4 million at December 31, 2012, reflecting loans secured by passbook or certificate accounts, or automobiles, as well as unsecured personal loans and overdraft lines of credit.

The following table presents an analysis of the maturity of The Wilton Bank's commercial real estate, construction and commercial business loan portfolios as of September 30, 2013 and December 31, 2012.

	September 30, 2013			
(In thousands)	**Loans Secured by Non-Residential Properties**	**Construction, Development and Land Loans**	**Commercial and Industrial Loans**	**Total**
Amounts due:				
One year or less	$ 417	$ 7,604	$ 1,334	$ 9,355
After one year:				
One to five years	711	900	1,066	2,677
Over five years	7,745	2,035	—	9,780
Total due after one year	8,456	2,935	1,066	12,457
Total	$ 8,873	$ 10,539	$ 2,400	$ 21,812

	December 31, 2012			
(In thousands)	**Loans Secured by Non-Residential Properties**	**Construction, Development and Land Loans**	**Commercial and Industrial Loans**	**Total**
Amounts due:				
One year or less	$ 1,113	$ 7,667	$ 1,131	$ 9,911
After one year:				
One to five years	631	1,473	1,561	3,665
Over five years	8,554	2,207	—	10,761
Total due after one year	9,185	3,680	1,561	14,426

		December 31, 2012		
Total	$ 10,298	$ 11,347	$ 2,692	$ 24,337

The following table presents an analysis of the interest rate sensitivity of The Wilton Bank's commercial real estate, construction and commercial business loan portfolios due after one year of September 30, 2013 and December 31, 2012.

	September 30, 2013			December 31, 2012		
	Interest Rate			Interest Rate		
(In thousands)	Adjustable	Fixed	Total	Adjustable	Fixed	Total
Loans secured by non-residential properties	$ 5,092	$ 3,364	$ 8,456	$ 5,288	$ 3,897	$ 9,185
Construction, development and and land loans	2,935	—	2,935	3,613	67	3,680
Commercial and industrial loans	—	1,066	1,066	—	1,561	1,561
Total loans due after one year	$ 8,027	$ 4,430	$ 12,457	$ 8,901	$ 5,525	$ 14,426

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Asset Quality

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:

(In thousands)	At September 30, 2013	At December 31, 2012	At December 31, 2011
Nonaccrual loans:			
Real estate loans:			
Loans secured by residential properties	$ 1,398	$ 1,083	$ 1,550
Loans secured by non-residential properties	502	453	520
Construction, development and land loans	4,573	5,387	10,540
Commercial and industrial loans	554	348	357
Consumer, personal and other loans	73	—	—
Total nonaccrual loans	$ 7,100	$ 7,271	$ 12,967
Property acquired through foreclosure or repossession, net	1,895	3,270	2,869
Total nonperforming assets	$ 8,995	$ 10,541	$ 15,836
Nonperforming assets to total assets	12.92 %	13.85 %	20.72 %
Nonaccrual loans to total loans	23.78 %	21.60 %	31.37 %
Total past due loans to total loans	11.12 %	10.24 %	15.27 %
Accruing loans 90 days or more past due	$ —	$ —	$ —

Nonperforming assets, which consists of nonaccrual loans and foreclosed real estate, totaled $9.0 million and represented 13% of total assets at September 30, 2013, compared to $10.5 million and 14% of total assets at December 31, 2012. Nonperforming assets at December 31, 2011 represented 21% of total assets and totaled $15.8 million.

Nonaccrual loans, which comprise the majority of The Wilton Bank's nonperforming assets, totaled $7.1 million at September 30, 2013, a decrease of $171 thousand, or 2%, from December 31, 2012. At December 31, 2011, nonaccrual loans were $13.0 million. Foreclosed real estate was $1.9 million at September 30, 2013, compared to $3.3 million at December 31, 2012. At December 31, 2011, foreclosed real estate was $2.9 million.

Nonaccrual loans. Loans greater than 90 days past due are put on nonaccrual status. Loans are also placed on nonaccrual status when, in the opinion of management, full collection of principal and interest is doubtful. Interest previously accrued, but uncollected, is reversed against current period income. Subsequent interest payments received on nonaccrual loans are recognized as interest income, or recorded as a reduction of principal if full collection of the loan is doubtful or if impairment of the collateral is identified. 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. Total nonaccrual loans were $7.1 and $7.3 million at September 30, 2012 and December 31, 2012, respectively. Included in nonaccrual loans at September 30, 2013 and December 31, 2012 and 2011 were $3.8 million, $4.0 million and $6.7 million of loans, respectively, which were performing in accordance with their contractual terms, however, these loans were not returned to accrual status as they had not yet met necessary performance standards.

At September 30, 2013, there were seven construction loans on nonaccrual status totaling $4.6 million compared to eight loans totaling $5.4 million at December 31, 2012.

At September 30, 2013, there were three commercial real estate loans on nonaccrual status totaling $502 thousand compared to two loans totaling $453 thousand, at December 31, 2012.

Nonaccrual commercial business loans totaled $554 thousand at September 30, 2013 and consisted of three loans. There were two commercial business loans on nonaccrual status at December 31, 2012 totaling $348 thousand.

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At September 30, 2013, there were no commitments to lend additional funds to any borrower on nonaccrual status. Interest income that would have been recognized if loans on nonaccrual status had been current in accordance with their original terms for the nine months ended September 30, 2013 and 2012 was $286 thousand and $387 thousand, respectively, and for the years ended December 31, 2012 and 2011 was $358 thousand and $687 thousand, respectively. The amount of actual interest income recognized on these loans was $69 thousand and $107 thousand for the nine months ended September 30, 2013 and 2012, respectively, and $167 thousand and $34 thousand for the years ended December 31, 2012 and 2011, respectively.

Past Due Loans. When a loan is 15 days past due, The Wilton Bank sends the borrower a late notice. The Wilton Bank 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 Wilton Bank 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, subsequent delinquency notices are issued and the account will be monitored on a regular basis thereafter. By the 90th day of delinquency, The Wilton Bank will send the borrower a final demand for payment and may recommend foreclosure. A report of all loans 30 days or more past due is provided to The Wilton Bank's board of directors each month. Loans greater than 90 days past due are put on nonaccrual status.

The following table presents past due loans as of September 30, 2013 and December 31, 2012 and 2011:

(In thousands)	31 – 60 Days Past Due	61 – 90 Days Past Due	Greater Than 90 Days (Nonaccrual)	Total Past Due
As of September 30, 2013				
Construction, development and land loans	$ —	$ —	$ 1,746	$ 1,746
Loans secured by residential properties	—	—	779	779
Loans secured by non-residential properties	—	—	435	435
Commercial and industrial loans	—	—	280	280
Consumer, personal and other loans	7	—	73	80
Total	$ 7	$ —	$ 3,313	$ 3,320
As of December 31, 2012				
Construction, development and land loans	$ —	$ —	$ 2,248	$ 2,248
Loans secured by residential properties	—	—	748	748
Loans secured by non-residential properties	—	—	—	—
	75	—	300	375

(In thousands)	31 – 60 Days Past Due	61 – 90 Days Past Due	Greater Than 90 Days (Nonaccrual)	Total Past Due
Commercial and industrial loans				
Consumer, personal and other loans	75	—	—	75
Total	$ 150	$ —	$ 3,296	$ 3,446
As of December 31, 2011				
Construction, development and land loans	$ —	$ 1,400	$ 3,736	$ 5,136
Loans secured by residential properties	—	—	718	718
Loans secured by non-residential properties	53	103	—	156
Commercial and industrial loans	300	—	—	300
Consumer, personal and other loans	—	—	—	—
Total	$ 353	$ 1,503	$ 4,454	$ 6,310

At September 30, 2013, total past due loans totaled $3.3 million. Of this total, all of the loans were on nonaccrual status with the exception of one loan for $7 thousand that was past due. As of December 31, 2012, total past due loans were $3.4 million, all of which consisted of nonaccrual loans with the exception of two loans totaling $150 thousand. As of December 31, 2011, all past due loans consisted of nonaccrual loans with the exception of one loan totaling $53 thousand.

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Troubled Debt Restructurings. Loans are considered restructured in a troubled debt restructuring when The Wilton Bank has granted concessions to a borrower due to the borrower's financial condition that The Wilton Bank otherwise would not have considered. These concessions may include modifications of the terms of the debt such as reduction of the stated interest rate other than normal market rate adjustments, extension of maturity dates, or reduction of principal balance or accrued interest. The decision to restructure a loan, rather than aggressively enforcing the collection of the loan, may benefit The Wilton Bank by increasing the ultimate probability of collection.

Restructured loans are classified as accruing or non-accruing based on The Wilton Bank management's assessment of the collectability of the loan. Loans which are already on nonaccrual status at the time of the restructuring generally remain on nonaccrual status for approximately six months before management considers such loans for return to accruing status. Accruing restructured loans are placed into nonaccrual status if and when the borrower fails to comply with the restructured terms and management deems it unlikely that the borrower will return to a status of compliance in the near term.

Troubled debt restructurings are reported as such for at least one year from the date of the restructuring. In years after the restructuring, troubled debt restructured loans are removed from this classification if the restructuring did not involve a below market rate concession and the loan is not deemed to be impaired based on the terms specified in the restructuring agreement. As of September 30, 2013, there were no significant commitments to lend additional funds to borrowers whose loans had been restructured.

The following table presents information on troubled debt restructured loans.

(In thousands)	At September 30, 2013	At December 31, 2012	2011
Accruing troubled debt restructured loans:			
Loans secured by residential properties	$ —	$ 652	$ —
Loans secured by non-residential properties	—	78	93
Construction, development and land loans	224	229	483
Consumer, personal and other loans	252	278	—
Commercial and industrial loans	176	100	—
Accruing troubled debt restructured loans	652	1,337	576
Nonaccrual troubled debt restructured loans:			
Loans secured by residential properties	1,336	743	786
Loans secured by non-residential properties	502	453	418
Construction, development and	3,038	3,144	6,804

	At September 30, 2013	At December 31,	
land loans			
Commercial and industrial loans	43	48	57
Nonaccrual troubled debt restructured loans	4,919	4,388	8,065
Total troubled debt restructured loans	$ 5,571	$ 5,725	$ 8,641

As of September 30, 2013 and December 31, 2012, loans classified as troubled debt restructurings totaled $5.6 million and $5.7 million, respectively. During the nine months ended September 30, 2013, there was a decrease of $154 thousand in troubled debt restructurings mainly as a result of principal paydowns, offset by the addition of a commercial business loan of $79 thousand. The $5.6 million balance at September 30, 2013 consists of seventeen loans. The largest troubled debt restructured loan is a construction loan totaling $2.1 million. The second largest troubled debt restructured loans was also a construction loan that totaled $736 thousand.

Allowance for Loan Losses

Establishing an appropriate level of allowance for loan losses, or the allowance, necessarily involves a high degree of judgment. The Wilton Bank uses a methodology to systematically measure the amount of estimated loan loss exposure inherent in its loan portfolio for purposes of establishing a sufficient allowance

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for loan losses. The Wilton Bank evaluates the adequacy of the allowance at least quarterly, and in determining The Wilton Bank's allowance for loan losses, estimates losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably determined. The balance of The Wilton Bank's allowance for loan losses is based on internally assigned risk classifications of loans, historical loan loss rates and subsequent recoveries, 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.

The following table presents the activity in and allocation of The Wilton Bank's allowance for loan losses and related ratio of net charge-offs to average loans:

(In thousands)	Construction, Development and Land Loans	Loans Secured by Residential Properties	Loans Secured by Non-Residential Properties	Commercial and Industrial Loans	Consumer, Personal and Other Loans	Unallocated	Total
September 30, 2013							
Beginning balance	$ 283	$ 103	$ 250	$ 114	$ 36	$ 327	$ 1,113
Charge-offs	(225)	—	—	(86)	—	—	(311)
Recoveries	—	80	—	—	—	—	80
Provisions	80	(113)	(114)	140	64	(57)	—
Ending balance	$ 138	$ 70	$ 136	$ 168	$ 100	$ 270	$ 882
Ratio of net charge-offs to average loans							0.73 %
December 31, 2012							
Beginning balance	$ 475	$ 244	$ 268	$ 187	$ 29	$ 102	$ 1,305
Charge-offs	(89)	(24)	—	(80)	—	—	(193)
Recoveries	—	—	—	1	—	—	1
Provisions	(103)	(117)	(18)	6	7	225	—
Ending balance	$ 283	$ 103	$ 250	$ 114	$ 36	$ 327	$ 1,113
Ratio of net charge-offs to average loans							0.50 %
December 31, 2011							
Beginning balance	$ 617	$ 338	$ 234	$ 739	$ 59	$ 47	$ 2,034
Charge-offs	(1,191)	(55)	—	(388)	—	—	(1,634)
Recoveries	1	—	—	3	1	—	5
Provisions	1,048	(39)	34	(167)	(31)	55	900
Ending balance	$ 475	$ 244	$ 268	$ 187	$ 29	$ 102	$ 1,305
Ratio of net charge-offs to							3.52 %

(In thousands)	Construction, Development and Land Loans	Loans Secured by Residential Properties	Loans Secured by Non-Residential Properties	Commercial and Industrial Loans	Consumer, Personal and Other Loans	Unallocated	Total
average loans							

At September 30, 2013, The Wilton Bank's allowance for loan losses was $882 thousand and represented 3% of total loans, compared to $1.1 million and 3% of total loans at December 31, 2012. The $231 thousand net decrease in the allowance for loan losses is comprised of an increase in the general reserve of $139 thousand and a decrease of $370 thousand in the specific reserve for impaired loans. For the nine months ended September 30, 2013 and 2012, and years ended December 31, 2012 and 2011, the only period there was a provision for loan losses charged to earnings was in the year ended December 31, 2011, and that charge totaled $900 thousand. Net charge-offs for the nine months ended September 30, 2013 were $231 thousand or 0.07% of average loans, reflecting charge-offs associated with an impaired construction loan and a commercial business loan.

The carrying amount of total impaired loans at September 30, 2013 was $7.7 million and consisted of twenty loans on nonaccrual status and six performing troubled debt restructured loans. This compares to a carrying amount of $8.7 million for total impaired loans at December 31, 2012. The amount of allowance for loan losses related to impaired loans was $194 thousand and $54 thousand, respectively, at September 30, 2013 and December 31, 2012.

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Investment Securities

The Wilton Bank's investment securities portfolio consists of held-to-maturity U.S. Government agency obligations. The amortized cost and fair value of these securities totaled $1.0 million at September 30, 2013. At December 31, 2012, the amortized cost and fair value of U.S Government agency obligations was $1.0 million. The unrealized position was $3 thousand at both September 30, 2013 and December 31, 2012. These securities have a weighted average yield of 0.26% and an average maturity of 2.2 years at September 30, 2013.

The Wilton Bank made a conscious decision to maintain a higher level of liquidity due to both the difficult economic environment it was operating in and the receipt of the Consent Agreement, thereby letting investment securities run off without replacing them. The Wilton Bank began receiving interest on its balances held at the Federal Reserve Bank, or FRB, in October of 2008. In the current rate environment, The Wilton Bank found it difficult to invest in securities without extending maturities to a time it did not feel comfortable with. The Wilton Bank maintained its excess liquidity at FRB.

Sources of Funds

Sources of funds include deposits and proceeds from the sales, maturities and payments of loans and investment securities. Total deposits represent 90% of total assets at September 30, 2013. While scheduled loan and securities repayments are a relatively stable source of funds, loan and investment security prepayments and deposit inflows are influenced by prevailing interest rates and local economic conditions and are inherently uncertain.

Deposits

The Wilton Bank offers a wide variety of deposit products and rates to consumer and business customers consistent with FDIC regulations. The Wilton Bank's asset liability committee meets regularly to determine pricing and marketing initiatives. In addition to being an important source of funding for us, deposits also provide an ongoing stream of fee revenue.

The following table sets forth the composition of The Wilton Bank's deposits for the dates indicated.

	At September 30, 2013		At December 31, 2012		2011	
(Dollars in thousands)	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
Noninterest-bearing demand	$ 13,422	21.41 %	$ 14,086	20.75 %	$ 15,533	23.38 %
Interest bearing accounts:						
NOW, money market and savings	38,831	61.94	41,481	61.11	38,745	58.31
Time certificates of deposit	10,441	16.65	12,314	18.14	12,170	18.32
Total deposits	$ 62,694	100.00 %	$ 67,881	100.00 %	$ 66,448	100.00 %

Total deposits were $62.7 million at September 30, 2013, a decrease of $5.2 million, or 8%, from the balance at December 31, 2012. This decrease was due to outflows in time deposits, noninterest bearing demand deposits and money market accounts, and savings accounts.

Time deposits decreased by $1.9 million, or 15%, from year-end 2012, reflecting The Wilton Bank's less aggressive pricing stance. Time deposits were $10.4 million at September 30, 2013 compared to the December 31, 2012 balance of $12.3 million.

During the first nine months of 2013, noninterest-bearing demand deposits decreased by $664 thousand, or 5%, and interest bearing demand deposit accounts decreased $2.4 million, or 7%. Savings accounts were $4.9 million at September 30, 2013, a decrease of $290 thousand, or 6%, from December 31, 2012.

Borrowings

The Wilton Bank is a member of the FHLBB, which is part of a twelve district Federal Home Loan Bank System. Members are required to own capital stock of the FHLBB, and borrowings are collateralized

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by qualifying assets not otherwise pledged (principally securities). The maximum amount of credit that the FHLBB will extend varies from time to time, depending on its policies and the amount of qualifying collateral the member can pledge. Wilton Bank satisfied its collateral requirement at September 30, 2013.

The Wilton Bank did not have any FHLBB advances outstanding at September 30, 2013 or December 31, 2012.

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. The Wilton Bank's primary source of liquidity is deposits, which funded approximately 87% of total average assets in 2012 and 90% of total average assets for the nine-month period ended September 30, 2013. While the generally preferred funding strategy is to attract and retain low cost deposits, the 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., FHLBB term advances and other borrowings), cash flows from The Wilton Bank's investment securities portfolios, 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.

Capital Resources

Total shareholders' equity was $6.5 million at September 30, 2013, compared to $8.0 million at December 31, 2012. The $1.5 million, or 19%, decrease reflected the net loss of $1.5 million for the first nine months of 2013. The ratio of total equity to total assets was 9.40% at September 30, 2013, which compares to 10.55 at December 31, 2012. Book value per common share at September 30, 2013 and December 31, 2012 was $17.55 and $21.53, respectively.

The Wilton 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 bank's financial statements. The Wilton Bank must meet specific capital guidelines that involve quantitative measures of the assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

As discussed previously, The Wilton Bank had been operating under a Consent Agreement which made it necessary for it to submit an updated Capital Plan to the FDIC and the Banking Department. The Capital Plan described actions The Wilton Bank will take to return the Tier 1 capital to the minimum required under the Consent Agreement. Subsequent to the 2012 fiscal year-end, the Capital Plan was accepted by The Wilton Bank's regulators.

While the Consent Agreement was in effect, The Wilton Bank did not pay dividends or any other form of payment representing a reduction in capital without the prior written approval of the FDIC and the Banking Department. In addition to the Consent Agreement, certain other restrictions exist regarding the ability of The Wilton Bank to pay dividends. State of Connecticut Banking Rules and Regulations require regulatory approval to pay dividends in excess of the bank's earnings retained in the current year plus retained earnings from the previous two years. The bank had an accumulated deficit for the three-year period ended December 31, 2012, and therefore is restricted from paying dividends.

Off-Balance Sheet Instruments

In the normal course of business, The Wilton Bank is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the financial statements. The contractual amounts of these instruments reflect the extent of involvement The Wilton Bank has in particular classes of financial instruments.

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The Wilton Bank enters into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of The Wilton Bank's commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. The Wilton Bank minimizes its exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures.

Commitments to extend credit totaled $8.1 million as of September 30, 2013 and $11.1 million at December 31, 2012. The following table summarizes The Wilton Bank's commitments to extend credit as of the dates indicated. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements. The Wilton Bank manages its liquidity in light of the aggregate amounts of commitments to extend credit and outstanding standby letters of credit in effect from time to time to ensure that it will have adequate sources of liquidity to fund such commitments and honor drafts under such letters of credit.

As of September 30, 2013	**Amount of Commitment Expiration per Period**				
(In thousands)	**Total**	**Less Than 1 Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Commitments to extend credit:					
Undisbursed home equity lines of credit	$3,381	$207	$490	$1,478	$1,206
Undisbursed loans secured by real estate	1,982	676	800	—	506
Future loan commitments	481	248	233	—	
Undisbursed commercial lines of credit	1,699	1,669	30	—	
Overdraft protection lines	565	—	—	—	565
Total other commitments	$8,108	$2,800	$1,553	$1,478	$2,277