STATE OF CONNECTICUT
DEPARTMENT OF BANKING

COMMUNITY REINVESTMENT PERFORMANCE EVALUATION

Bankwell Bank
Certificate Number:

208 Elm Street
New Canaan, Connecticut 06840

Date of Examination May 2, 2018

Examiner–in-Charge Terralyn Cooper

THIS CRA EVALUATION IS AVAILABLE FOR PUBLIC REVIEW AND COMMENT

This evaluation reflects the Banking Commissioner's assessment pursuant to Connecticut General Statutes §36a-30 of the performance of this bank in helping to meet the credit needs of its local communities, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned herein does not represent an analysis, conclusion, or opinion of the State of Connecticut Department of Banking concerning the safety and soundness of this financial institution.

JORGE L. PEREZ
BANKING COMMISSIONER

TABLE OF CONTENTS

GENERAL INFORMATION

Connecticut General Statutes (C.G.S.) section 36a-30(3)(b) Connecticut Community Reinvestment (CRA) requires the Banking Commissioner to assess the record of each bank in satisfying its continuing and affirmative obligations to help meet the credit needs of its local communities, including low- and moderate-income neighborhoods, consistent with safe and sound operations of such banks. Upon conclusion of such assessment, the Commissioner shall prepare a written evaluation of the bank's record of meeting the credit needs of its entire community including low- and moderate-income neighborhoods.

This document reflects an evaluation of the CRA performance of Bankwell Bank (Bankwell) prepared by the Connecticut Department of Banking as of May 2, 2018. This agency rates CRA performance of state chartered banks, under its supervision, consistent with the provisions set forth in subsection (a) of section 36a-32 of the C.G.S.

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Connecticut Department of Banking concerning the safety and soundness of this financial institution.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **"Satisfactory".**

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs Improvement			
Substantial Noncompliance			

**The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.*

Lending Test

- Bankwell's lending levels reflects adequate responsiveness to the credit needs of its assessment areas.
- The bank made a majority of its small business and home mortgage loans by number and dollar amount inside its assessment areas.
- The geographic distribution of loans reflects poor penetration throughout the assessment areas particularly in moderate-income census tracts.
- The distribution of borrowers reflects an adequate penetration among individuals of different income levels and businesses of varying revenue sizes, given the product lines offered by the bank.
- Bankwell made a relatively high level of community development loans.
- Bankwell makes adequate use of innovative and/or flexible lending practices in order to serve assessment area credit needs.

Investment Test

- The bank has a significant level of qualified community development investments, grants and donations, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- Qualified investments exhibit good responsiveness to credit and community development needs of the assessment areas.
- The bank occasionally uses innovative and/or complex investments to support community development initiatives.

Service Test

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment areas.
- To the extent that changes have been made, the bank's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly

in low- and moderate-income geographies and/or to low- and moderate-income individuals.

- Services including business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals.

- The bank provides an adequate level of community development services.

- The bank actively works with delinquent customers to help prevent foreclosures within safe banking practices.

- Neither the bank nor the Banking Commissioner received any written complaints related to this bank's CRA performance during this evaluation period.

SCOPE OF EVALUATION

General Information

The State of Connecticut Department of Banking (CTDOB) conducted an offsite evaluation of Bankwell's CRA performance. Examiners used the Interagency Large Institution Procedures established by the Federal Financial Institutions Examination Council (FFIEC). These procedures include evaluation under three tests: the Lending Test, Investment Test, and Service Test.

In conducting this evaluation, examiners relied on records provided by the bank, public loan and financial information, demographic data from the U.S. Census Bureau, U.S. Bureau of Labor Statistics, and Dun and Bradstreet (D&B), as well as, loan information reported under the Home Mortgage Disclosure Act (HMDA) and the Community Reinvestment Act (CRA). Financial data about the bank was obtained from the March 31, 2018 Report of Income and Condition (Call Report).

The Lending Test considered the institution's performance according to the following criteria:

- Lending activity
- Assessment area concentration
- Geographic distribution of loans
- Borrower profile
- Use of innovative and/or flexible lending practices
- Community development lending activities

The Investment Test is evaluated pursuant to the following criteria:

- Number and dollar amount of qualified investments
- Innovativeness and complexity of qualified investments
- Responsiveness of qualified investments to credit and community development needs
- Degree to which qualified investments are not routinely provided by private investors

The Service Test is evaluated pursuant to the following criteria:

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business hours and services in meeting assessment area(s) needs
- Number of qualified community development services offered and used.

The bank does not have any affiliates that engage in offering services to the public. Therefore this evaluation does not include any lending activity performed by affiliates.
Examiners evaluated the bank's overall performance within its combined assessment area and in each metropolitan statistical area (MSA) in which the bank has a branch office. Bankwell's assessment areas include the Bridgeport-Stamford-Norwalk, CT MSA and the New Haven-Milford, CT MSA. Ratings were assigned based on the bank's overall performance; no ratings were assigned for the individual assessment areas.

Loan Products Reviewed

Bankwell's major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. However, effective January 1, 2018, the bank stopped offering residential mortgages on single-family homes. This CRA evaluation is based on analysis of the bank's small business and home mortgage lending activities from January 1, 2015 through December 31, 2016.

The bank did not originate any farm loans during this review period. Examiners did not consider other product lines such as consumer loans and other loan types due to the low volume of originations and limited representation in the loan portfolio. Since these loan types provided no material support for conclusions and ratings, they are not presented.

Small business loan data for 2015 and 2016 collected and reported pursuant to the CRA data collection requirements were used to evaluate the bank's small business activities. The bank originated 109 small business loans totaling $32.5 million in 2015 and 105 small business loans totaling $30.6 million in 2016.

Home mortgage loans reported in 2015 and 2016 under the data reporting requirements of the Home Mortgage Disclosure Act (HMDA) were reviewed. Bankwell originated or purchased 79 home loans totaling $93.6 million in 2015 and 60 home loans totaling $103.0 million in 2016.

The bank's small business lending is given greater weight in arriving at overall conclusions with respect to the bank's lending performance. Commercial lending represents the largest volume of overall lending during the review period by number and continues to be the bank's primary lending focus. Although home mortgage lending represents a larger dollar volume, it is not the primary product line for the bank.

Weighting of Performance by Assessment Area and Loan Type
Bankwell delineated two separate assessment areas by MSAs. The bank's overall CRA rating is based on its combined performance throughout the two MSAs where the bank has branch offices. While reviewing lending in all assessment areas, consideration was given to the number of branches, deposit volume, and lending activities to determine which area would receive the greatest weight. MSA #14860 (Bridgeport-Stamford-Norwalk, CT MSA) comprises a significant majority of the bank's offices, deposits, and loans. Therefore, performance in this MSA will carry the greatest weight in arriving at the CRA ratings. The following table shows the distribution of Bankwell's branches, deposits, and loans within each assessment area. See the Description of Assessment Area sections of this performance evaluation for the geographic and demographic details of each area.

Table 1 – Distribution of Branches, Deposits and Loans

Assessment Areas	Branches[1]		Deposits		Home Loans				Small Business Loans			
	#	%	$(000s)	%	#	%	$(000s)	%	#	%	$(000s)	%
MSA #14860	8	80.0	1,239,253	87.4	90	85.7	104,447	77.3	119	81.0	26,727	76.4
MSA #35300	2	20.0	179,225	12.6	15	14.3	30,740	22.7	28	19.0	8,235	23.6
Total	10	100.0	1,418,478	100.0	105	100.0	135,187	100.0	147	100.0	34,962	100.0

Source: FDIC Summary of Deposits (06/30/2017) and Bank's 2015 and 2016 HMDA LARs and Bank's 2015 and 2016 CRA LARs

The Lending Test included a review of both the number and dollar amount of small business loans and home mortgage loans. While consideration was given to both number and dollar volume of loans, more weight was given to the number of loans when assessing the bank's performance, as it is a better indicator of the number of businesses and individuals served. Evaluation results were also weighted by loan type. As previously mentioned, more weight was placed on the results of the bank's small business activities when arriving at overall conclusions

[1] Branch numbers include bank's main office and excludes three branches opened June 9, 2018 and the limited purpose branch.

for the Lending Test. This weighting is consistent with the bank's lending activity, loan portfolio composition, and management's stated business focus.

The Investment Test and Service Test considered the number and dollar volume of qualified investments and community development services between October 5, 2015 and December 31, 2017. This evaluation also considered all community development loans and flexible lending programs during the same period.

More weight was assigned to the bank's performance under the Lending Test than its performance under the Investment and Service Tests when arriving at an overall CRA rating.

DESCRIPTION OF THE INSTITUTION

Background

Bankwell Bank (Bankwell) is a Connecticut-chartered stock-owned commercial bank headquartered in New Canaan, Connecticut. The bank is a wholly owned subsidiary of Bankwell Financial Group, Inc. (BWFG), a bank holding company also located in New Canaan, Connecticut. On October 8, 2015, the bank established a wholly owned subsidiary, Bankwell Loan Servicing Group, Inc. (a Passive Investment Company "PIC"). The PIC was organized in accordance with Connecticut statutes to hold and manage certain real estate loans. There has been no merger or acquisition activity since the previous CRA Evaluation.

Bankwell received a Satisfactory rating at the Performance Evaluation conducted by the FDIC on October 5, 2015, based on the Interagency Large Institution Examination Procedures.

Operations

Bankwell operates nine full service offices and one limited service facility in Connecticut. In addition to the main office in New Canaan, the bank has seven full service branches in Fairfield County in Fairfield (2), New Canaan (1), Norwalk (1), Stamford (1), and Wilton (1). The bank also maintains two full service branches in New Haven County, one each in Hamden and North Haven. The bank also operates a limited branch in Wilton. This facility serves the deposit services needs of residents in an assisted living facility.

On June 9, 2018, the bank opened three full service branches, one each in Darien, Stamford, and Westport. These offices are located in upper-income census tracts. The loan production office, previously located at 855 Main Street Bridgeport, Connecticut was closed on July 31, 2017. This office was located in a low-income census tract and closed due to low customer traffic. No office relocations occurred during this review period.

In 2016, the bank also removed an ATM from the Building and Land Technology Company cafeteria. This ATM was located in a low-income census tract. However, access to the ATM was limited to company employees and was removed due to limited use.

The bank offers a variety of deposit and credit products for both commercial and retail customers. Deposit products include a variety of checking, savings, money market accounts, certificates of deposits, and individual retirement accounts. Loan products include home equity lines of credit and consumer loans for retail customers. As previously mentioned, the bank no longer offers residential mortgages on single-family homes effective January 1, 2018. Although Bankwell ceased offering this product, it continues to support the areas' housing needs by offering mortgages on multifamily (five or more units) properties.

Commercial credit products include commercial mortgages, commercial loans and lines of credit. Business credit cards are offered through a third party vendor as a service to the bank's customers. Alternative delivery systems include, among other things, automated teller machines (ATMs), online and mobile banking, electronic bill pay, POPmoney person-to-person transfers, merchant services, and remote deposit capture.

Ability and Capacity

Bankwell had total assets of $1.6 billion on March 31, 2018, reflecting an increase of $444.2 million or 35.9%, since June 30, 2015. Asset growth was primarily due to strong loan growth. Total loans were 1.5 billion as of March 31, 2018, an increase of $519.4 million from $1.0 billion or 50.2%. Over the same period, total deposits increased $475.0 million or 49.7%. The bank's primary business focus remains commercial lending. Since the previous examination commercial real estate and commercial and industrial loans grew 56.6% and currently comprise 70.5% of the loan portfolio. Home loans, which include loans secured by 1-4 family residential properties and multifamily properties (5 or more units), increased 24.0% over the same period.

The following table shows the composition of the bank's loan portfolio as of March 31, 2018.

Table 2 - Distribution of the Loan Portfolio as of 03/31/2018

Loan Category	$(000s)	%
Construction and Land Development	121,236	7.8
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	181,132	11.7
Secured by Multifamily (5 or more) Residential Properties	154,935	10.0
Secured by Nonfarm Nonresidential Properties	828,830	53.3
Total Real Estate Loans	**1,286,133**	**0.0**
Loans to Depository Institutions	0	0.0
Loans to finance Agricultural Production and Other Farm Loans	0	0.0
Commercial and Industrial Loans	266,734	17.2
Loans to Individuals	478	0.0
Obligations of States and Political Subdivisions in the U.S.	0	0.0
Loans to Non Depository Financial Institutions	0	0.0
Other Loans	21	0.0
Lease Financing Receivables	0	0.0
Less Unearned Income	0	0.0
Total Loans and Leases	**1,553,366**	**100.0**
Source: Report of Condition and Income March 31, 2018		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to help meet assessment area credit needs.

DESCRIPTION OF COMBINED ASSESSMENT AREA

Section 36a-30(3)(c) of the Connecticut General Statutes requires each Connecticut bank to in accordance with the provisions of Federal CRA and without excluding low- and moderate-income neighborhoods, delineate one or more assessment areas in which it intends to focus its lending efforts. The Banking Commissioner uses these areas when evaluating the bank's CRA performance.

Bankwell has delineated two assessment areas consisting of portions of Fairfield County and New Haven County in Connecticut. The Fairfield County Assessment Area is composed of the cities and towns of Darien, Fairfield, Greenwich, New Canaan, Norwalk, Stamford, Westport and Wilton. Fairfield County is located in Bridgeport-Stamford-Norwalk, CT MSA (#14860). The New Haven Assessment Area includes the municipalities of Bethany, Cheshire, East Haven, Hamden, New Haven, North Branford, North Haven, Wallingford, West Haven, and Woodbridge. New Haven County is in the New Haven-Milford, CT MSA (#35300).

There have been no changes to the bank's assessment areas since the previous CRA Evaluation. The assessment areas comply with the technical requirements of CRA and do not arbitrarily exclude low- and moderate-income neighborhoods. Management delineated the assessment area based on the location of the bank's offices and business activities.

This section combines both assessment areas. Each assessment area will be presented separately later in this evaluation. As previously mentioned, a full scope CRA evaluation was performed for each assessment area.

Economic and Demographic Data
To assess the bank's home mortgage and small business lending performance, consideration was given to certain demographic and economic data about the assessment areas. The following sections describe key economic and demographic information for each area.

According to the 2010 U.S. Census, the combine assessment area is composed of 182 census tracts, of which 98 are located in Fairfield County and 83 are located in New Haven County. The following reflects the distribution of census tracts based on income level.

- 20 low-income census tracts
- 32 moderate-income census tracts
- 57 middle-income census tracts
- 73 upper-income census tracts

Table 3 shows key demographic information for the Combined Assessment Area.

Table 3 – Demographic Information of the Combined Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	182	11.0	17.6	31.3	40.1	0.0
Population by Geography	816,753	10.5	19.4	30.9	39.2	0.0
Housing Units by Geography	328,246	10.4	20.7	33.1	35.8	0.0
Owner-Occupied Units by Geography	198,785	3.6	13.5	35.0	47.9	0.0
Occupied Rental Units by Geography	105,344	21.1	33.7	30.8	14.4	0.0
Vacant Units by Geography	24,117	19.3	23.7	27.7	29.3	0.0
Businesses by Geography	80,920	7.7	15.3	30.8	46.2	0.0
Farms by Geography	1,937	6.1	16.2	31.1	46.6	0.0
Family Distribution by Income Level	201,541	20.8	15.3	18.8	45.2	0.0
Household Distribution by Income Level	304,129	23.9	14.3	16.5	45.3	0.0
Median Family Income MSA - 14860 Bridgeport-Stamford-Norwalk, CT MSA		$100,593	Median Housing Value			$466,964
Median Family Income MSA - 35300 New Haven-Milford, CT MSA		$77,379	Median Gross Rent			$1,202
			Families Below Poverty Level			6.4%

Source: 2010 U.S. Census and 2016 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.

Median Family Income

Borrowers are categorized as low-, moderate-, middle-, or upper-income based on their respective income levels as a percentage of the MSA's current median family income (MFI). The MFI figures are used to determine the distribution of home mortgage loans by borrower income level for loans originated within the bank's assessment areas. The FFIEC annually calculates an updated MFI to reflect inflation and other economic events since the most recent U.S. Census. Based on the Bridgeport-Stamford-Norwalk, CT MSA and New Haven-Milford, CT MSA areas, the 2015 and 2016 MFI levels are reflected in the following table.

Table 4 – Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Bridgeport-Stamford-Norwalk, CT MSA Median Family Income (14860)				
2015 ($107,500)	<$53,750	$53,750 to <$86,000	$86,000 to <$129,000	≥$129,000
2016 ($104,400)	<$52,200	$52,200 to <$83,520	$83,520 to <$125,280	≥$125,280
New Haven-Milford, CT MSA Median Family Income (35300)				
2015 ($80,800)	<$40,400	$40,400 to <$64,640	$64,640 to <$96,960	≥$96,960
2016 ($81,000)	<$40,500	$40,500 to <$64,800	$64,800 to <$97,200	≥$97,200

Source: FFIEC
Due to rounding, totals may not equal 100.0

Population
According to the 2010 U.S. Census, the combined assessment area has a total population of 816,753. There are 201,541 families residing in the area, of which 20.8% are low-income, 15.3% are moderate-income, 18.8% are middle-income, and 45.2% are upper-income. Approximately 6.4% of area families and 30.6% of low-income families have incomes below the poverty level.

Housing
The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are 328,246 housing units in the assessment area. Of these, 60.6% are owner-occupied, 32.1% are occupied rental units, and approximately 7.4% are vacant. Further, nearly half of the area's owner-occupied housing units are located in upper-income geographies. As shown in Table 3, just 3.6% of owner-occupied units are located in low-income census tracts and 13.5% are located in moderate-income census tracts. Additionally, 54.7% of the area's occupied rental units are located in low- and moderate-income geographies. These factors directly affect opportunities for lenders to originate home mortgage loans in these geographies.

An analysis of the affordability of housing was performed during this evaluation. The affordability ratio is a method used to determine the amount of single-family owner-occupied housing that a dollar of income can purchase, for the median household, within a given geography. The ratio is calculated by dividing the median household income by the median housing value of the area or geography under analysis. Values closer to 1 indicate greater affordability. The 2010 U.S. Census reported a median household income of $88,502, and a median housing value of $546,581 for the assessment area, resulting in an affordability ratio of .16 (weighted). The high median housing value reflects the relatively affluent assessment area and a potential affordability gap for low- and moderate-income residents. The affordability ratio is weighted to compensate for median income and housing figures that encompass only portions of counties.

Further analysis shows that there is a significant difference in affordability between the Bridgeport-Stamford-Norwalk, CT MSA (Fairfield AA) assessment area and the New Haven Milford MSA (New Haven AA) assessment area. The Fairfield AA has a median household income of $94,965 and a median home value of $577,629 resulting in an affordability index of .16 (weighted). The median household income for the New Haven AA is $65,286 and the median home value is $298,818 resulting in an affordability ratio of 0.22 (weighted). The affordability ratio for the New Haven AA is comparable to that of the State of Connecticut, which is .23.

Employment
The following table reflects the average unemployment rates and trends for Fairfield County, New Haven County, State of Connecticut, and the United States.

Table 5 – Unemployment Rates				
Area	2015	2016	2017	March 2018
	%	%	%	%
Fairfield County	5.3	4.9	4.5	4.4
New Haven County	6.2	5.5	5.0	5.0
Connecticut	5.7	5.1	4.7	4.7
National Average	5.3	4.9	4.4	4.1
Source: U.S. Bureau of Labor Statistics				

According to the U.S. Bureau of Labor Statistics, the unemployment rates for counties within the combined assessment area were equal to or greater than the national average. Unemployment rates in Fairfield County have consistently remained lower than Connecticut levels. While, the unemployment rates for New Haven County consistently exceeded both the state and national averages during this review period. However, overall unemployment rates, in the assessment area, are lower than in previous years. Downward trends in unemployment levels also occurred at the state and national levels. Higher unemployment rates in New Haven County are an indication of the needs in this portion of the combined assessment area.

The May 2018 seasonally adjusted unemployment rate for Connecticut was 4.5% unchanged from April 2018 and down two-tenths of a percent from a year ago when the rate was 4.7%. The May 2018 seasonally adjusted U.S. jobless rate at 3.8% reflected a decline from 4.3% over the same period.

Business Data
According to 2016 D&B data, there were 80,920 businesses in the assessment area. Gross annual revenues (GARs) for these businesses are below.

- 86.1% have $1 million or less
- 6.4% have more than $1 million
- 7.5% have unknown unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of the bank's small business loans to the distribution of area businesses by gross annual revenue levels. Business demographics indicate that a substantial majority of area businesses meet the definition of small businesses. Nearly 76.4% of area businesses have four or fewer employees and 91.1% operate from a single location.

The Geographic Distribution criterion also compares small business loans originated with the distribution of small businesses by the income level of census tract where the business is located. Of the 80,920 nonfarm businesses located in the assessment area, 7.7% are located in low-income census tracts, 15.3% are located in moderate-income census tracts, 30.8% are located in middle-income census tracts, and 46.2% are located in upper-income census tracts. The service industry represents the largest segment of businesses at 51.3%; followed by finance, insurance, and real estate at 11.3%, retail trade at 10.7%, construction at 8.3%, and non-classifiable establishments at 6.2%.

Competition
According to the June 30, 2017 FDIC Deposit Market Share Report, 30 financial institutions operated 305 offices within the bank's combined assessment area. Of these institutions Bankwell ranks 8th with a deposit market share of 3.6%. Primarily large national and regional banks dominate this market, with Bank of America, Citibank, and Wells Fargo capturing a combined 44.5% deposit market share.

There is competition for small business loans in the assessment area. According to the 2016 aggregate market data, 146 lenders reported 55,028 loans totaling approximately $1.6 billion in counties included in the bank's assessment area. Bankwell originated 90 loans and was ranked 30th with a 0.2% market share by number of loans. Due to restrictions in the publicly available small business lending data, the ranking is based on performance within all counties in which at least a portion of the bank's assessment area is designated. The top three small business lenders include American Express, Citibank, and Bank of America, which collectively accounted for 55.0% of total market share, by number of loans.

The bank faces significant competition for home mortgage loans. There are various banks, credit unions, mortgage companies, and nondepository lenders, which originated home mortgages in the assessment area. According to the 2016 aggregate data, 423 lenders reported originating or purchasing 20,978 home mortgage loans totaling $10.4 billion. Bankwell ranked 80th out of this group, with a market share (by number) of 0.3%. The top three lenders were Wells Fargo, JP Morgan Chase, and People's United Bank, which captured a combined 21.3% market share, by number of loans.

Credit and Community Development Needs and Opportunities
Considering information from bank management and demographic and economic data, examiners determined that affordable housing loan programs and small business loans are primary credit needs. Economic and demographic data support the housing affordability issues identified by bank management and indicate an opportunity for banks to assist residents with flexible loan programs. There is also a significant need for small business loan financing. A substantial portion of area businesses report gross annual revenues of $1.0 million or less and a significant portion of these businesses have four or fewer employees.

The area's community development needs include affordable housing and financial education given the high cost of housing in the assessment area. A competitive rental market and the high cost of housing relative to the areas' median family incomes, make it challenging for low- and moderate-income residents to obtain affordable housing. Partnerships with local community development groups are recognizable opportunities for area banks to help meet the identified needs throughout all segments of the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Lending Activity
Bankwell's lending levels reflect good responsiveness to assessment area credit needs. During 2015 and 2016, the bank originated a combined 353 small business loans and home mortgage loans totaling $259.7 million. Of this total, 147 small business loans totaling $35.0 million and 105 home loans totaling $135.2 million were originated inside the combined assessment area. Small business loan volume decreased in 2016, and was below 2015 levels by both number of loan originations and dollar volume extended.

During 2016, Bankwell originated 90 small business loans within the combined assessment area. The bank was ranked 30th among 145 reporters with a 0.2% market share by number of loans. . By dollar volume, the bank was ranked 17th with a 1.6% market share. A majority of the lenders that ranked higher than Bankwell were larger financial institutions or credit card banks that typically offer commercial credit cards. The area's top small business lenders were American Express, Citibank, Bank of America, Chase Bank, and US Bank.

Residential mortgage lending was highly competitive in the combined assessment area during 2016. Bankwell originated 47 home loans and was ranked 82nd out of 423 HMDA reporters active in the area. The bank was ranked substantially higher at 27th by dollar volume. Bankwell had a 0.2% market share by number of loans and 0.8% market share by dollar volume. Again, there were numerous large national and regional lenders active in the assessment area.

Assessment Area Concentration
Bankwell originated a high percentage of loans in the combined assessment area during the review period. As reflected in the following table, Bankwell originated 71.4% by number and 65.5% by dollar volume of small business and home mortgage loans within the combined

assessment area. Both the number and dollar volume of small business loan originations declined year over year. Additionally, the portion of these loans extended to area businesses dropped significantly. During the same period, the number of home mortgage loan originations also decreased year over year. However, total dollars extended in the form of home loans increased. The portion of home loans extended to area residents by both number and dollar volume increased during this review period.

Table 6 - Lending Inside and Outside of the Assessment Area

Loan Category	Number of Loans				Total	Dollar Amount of Loans $(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	$	%	$	%	$(000s)
Small Business										
2015	78	71.6	31	28.4	109	17,763	54.7	14,740	45.4	32,503
2016	64	61.0	41	39.0	105	15,664	51.3	14,887	48.7	30,551
Subtotal	**142**	**66.4**	**72**	**33.6**	**214**	**33,427**	**53.0**	**29,627**	**47.0**	**63,054**
Home Mortgage										
2015	58	73.4	21	26.6	79	53,782	57.4	39,836	42.6	93,618
2016	47	78.3	13	21.7	60	81,405	79.0	21,617	21.0	103,022
Subtotal	**105**	**75.5**	**34**	**24.5**	**139**	**135,187**	**68.7**	**61,453**	**31.3**	**196,640**
Total	**247**	**70.0**	**106**	**30.0**	**353**	**168,614**	**64.9**	**91,080**	**35.1**	**259,694**

Source: Evaluation Period: 1/1/2015 - 12/31/2016 Bank Data
Due to rounding, totals may not equal 100.0

This criterion is only discussed in the combined assessment area section of this evaluation since all the evaluated assessment areas are combined to determine the overall assessment area concentration.

Geographic Distribution

The geographic distribution of loans reflects a poor penetration throughout the assessment area. The bank's poor small business lending performance primarily supports this conclusion. The geographic distribution of the bank's home mortgage loans reflects good penetration throughout the assessment area. However, as previously mentioned the bank's small business lending activities received the greatest weight in assigning ratings since this is the bank's primary business focus.

Small Business Loans

The geographic distribution of small business loans reflects a poor penetration throughout the assessment area particularly in low- and moderate-income geographies. The following table reflects Bankwell's small business lending distribution by census tract income level within the combined assessment area.

Table 7 - Geographic Distribution of Small Business Loan – Combined Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2015	7.6	7.0	7	9.0	2,406	13.5
2016	7.7	6.8	1	1.6	200	1.3
Moderate						
2015	15.3	15.4	4	5.1	1,225	6.9
2016	15.3	15.0	2	3.1	388	2.5
Middle						
2015	30.8	31.2	11	14.1	2,181	12.3
2016	30.8	30.6	23	35.9	7,003	44.7
Upper						
2015	46.3	46.4	56	71.8	11,951	67.3
2016	46.2	47.6	38	59.4	8,073	51.5
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
Totals						
2015	**100.0**	**100.0**	**78**	**100.0**	**17,763**	**100.0**
2016	**100.0**	**100.0**	**64**	**100.0**	**15,664**	**100.0**

Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

During 2015, Bankwell originated 9.0% of its small business loans in low-income census tracts. This level was above both the aggregate market level of 7.0% and the 7.6% of the area's small businesses located in these census tracts. In 2016, the bank's performance declined significantly to 1.6% of total small business loans. This level was well below both the aggregate market level of 6.8% and the 7.7% of area businesses located in low-income geographies.

The bank's small business lending in moderate-income census tracts was poor during this evaluation period. In 2015, Bankwell originated 5.1% of its small business loans in the moderate-income census tracts, which was well below both aggregate level of 15.4% and business demographic level of 15.3%. In 2016, Bankwell decreased its lending in the moderate-income tracts by both number of loans and as a percentage of total commercial lending. Specifically, Bankwell originated 3.1% of its small business loans in moderate-income geographies. Again, this level was well below aggregate market performance of 15.0% and business demographics of 15.3%.

Home Mortgage Loans
The geographic distribution of home mortgage loans reflects a good penetration throughout the assessment area including in low- and moderate-income geographies. This analysis compared

the bank's home mortgage loans for 2015 and 2016 to the aggregate home mortgage data and the percentage of owner-occupied housing units within each geography by income level.

The following table reflects the distribution of home mortgage loans within the combined assessment area for 2015 and 2016.

Table 8 – Geographic Distribution of Home Mortgage Loans

Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2015	3.6	3.1	6	10.3	8,767	16.3
2016	3.6	2.8	1	2.1	11,100	13.6
Moderate						
2015	13.5	12.2	8	13.8	1,980	3.7
2016	13.5	11.8	7	14.9	23,244	28.6
Middle						
2015	35.0	33.4	11	19.0	11,722	21.8
2016	35.0	33.6	9	19.1	16,006	19.7
Upper						
2015	47.9	51.3	33	56.9	31,313	58.2
2016	47.9	51.8	30	63.8	31,055	38.1
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
Totals						
2015	**100.0**	**100.0**	**58**	**100.0**	**53,782**	**100.0**
2016	**100.0**	**100.0**	**47**	**100.0**	**81,405**	**100.0**

Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

In 2015, the bank originated 10.3% of the bank's home mortgage loans to residents in low-income census tracts. This level was well above both the 3.1% aggregate market performance and 3.6% of owner-occupied housing units located therein. In 2016, both the number of loans and portion of lending to residents in low-income geographies declined. Bankwell originated 2.1% of the bank's home loans in low-income census tracts. This level was slightly below the 2.8% aggregate market performance and 3.6% of owner-occupied units located in such tracts.

In 2015, Bankwell originated 13.8% of its home mortgage loans in the moderate-income census tracts, which was slightly above the distribution of owner-occupied housing units at 13.5% and above the aggregate market level of 12.2%. Although the number of originations declined slightly in 2016, the portion of the bank's lending in moderate-income census tracts increased to 14.9% and remained above both aggregate market performance and area demographics.

As noted previously, the bank's primary business focus is commercial lending; therefore, the bank's small business lending activities received the most weight in arriving at conclusions under this criterion.

Borrower Profile
The distribution of borrowers reflects, given the product lines offered by the bank, adequate penetration among businesses of different sizes and a poor penetration among borrowers of different income levels particularly those with moderate-incomes. The adequate record of small business lending somewhat offset the poor performance regarding home mortgage lending to support this conclusion.

Examiners considered the loan product types and any performance context issues when arriving at this conclusion. Only loans originated inside the bank's combined assessment area were considered.

Small Business Loans
The bank's small business performance was adequate in the combined assessment area. Examiners focused on the percentage by number of small business loans to businesses with gross annual revenues of $1 million or less in comparison to aggregate market performance and D&B business demographic data. Additional consideration was given to the level of competition for such loans within the area. The following table illustrates the distribution of small business loans by gross annual revenues.

Table 9 - Distribution of Small Business Loans by Gross Annual Revenue Category

Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	$(000s)	%
<=$1,000,000						
2015	79.9	51.1	26	33.3	6,275	35.3
2016	86.1	47.5	25	39.1	5,837	37.3
>1,000,000						
2015	5.4	--	49	62.8	9,488	53.4
2016	6.4	--	39	60.9	9,827	62.7
Revenue Not Available						
2015	14.7	--	3	3.8	2,000	11.3
2016	7.5	--	0	0.0	0	0.0
Totals						
2015	**100.0**	**100.0**	**78**	**100.0**	**17,763**	**100.0**
2016	**100.0**	**100.0**	**64**	**100.0**	**15,664**	**100.0**

Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0

In 2015, the bank originated 33.3% of its small business loans to businesses with gross annual revenues of $1 million or less. This level is below the 51.1% aggregate market performance and 79.9% of small businesses operating in the area. During 2016, the number of loans originated to businesses with gross annual revenues of $1 million or less remained relatively stable. However, since overall lending declined 17.9%, the level of lending to small businesses increased to 39.1%. Although Bankwell's level of lending to small businesses increased in 2016, the increase did not keep pace with the growth of such businesses in the area, which increased by 6.2%. The bank's performance also continued to lag aggregate market levels, which declined to 47.5%.

A review of market share reports provide additional insight into the bank's performance. In 2015, 134 lenders originated or purchased small business loans in the combined assessment area. The top two lenders accounted for a 50.7% market share by number of loans. Bankwell ranked 20th with a 0.1% market share by number. By dollar amount the bank was ranked 13th with a 2.0% market share.

During 2016, 145 lenders reported originating one or more small business loans in the combined assessment area. Again, the market was dominated by large national banks. The top two lenders in the assessment area had a combined market share of 57.3% by number of loans. These lenders are substantially larger than the bank. In 2016, Bankwell was ranked 24th with a 0.1% market share by number of loans. By dollar amount, Bankwell's ranking improved to 17th with a 1.9% market share. Overall, the bank is making an adequate effort to help meet the credit needs of the area's small businesses, particularly those with gross annual revenues of $1 million or less.

Home Loans

The distribution of home mortgage loans reflects poor penetration among borrowers of different incomes particularly those with moderate-incomes. Examiners focused on the percentage by number of loans to low- and moderate-income borrowers as compared to aggregate market performance. Aggregate market performance was used as a measure of lending opportunities in the defined area. The bank's performance was also compared to area demographics.

Table 10 shows the distribution of the bank's home mortgage loans among borrowers of different incomes for 2015 and 2016. During 2015, Bankwell originated one home loan or 1.7% to low-income borrowers. This level was below both aggregate market performance of 3.9% and the 20.8% of low-income families residing in the assessment area. During 2016, the number of loans to low-income borrowers increased to three and represented 6.4% of total originations. This level exceeded aggregate market performance at 3.8% but was below the proportion of low-income families in the assessment area.

Table 10 – Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2015	20.8	3.9	1	1.7	84	0.2
2016	20.8	3.8	3	6.4	398	0.5
Moderate						
2015	15.3	12.8	1	1.7	261	0.5
2016	15.3	12.6	1	2.1	186	0.2
Middle						
2015	18.8	17.1	5	8.6	1,403	2.6
2016	18.8	18.6	6	12.8	2,206	2.7
Upper						
2015	45.2	50.0	30	51.7	25,956	48.3
2016	45.2	51.8	28	59.6	28,254	34.7
Not Available						
2015	0.0	16.3	21	36.2	26,078	48.5
2016	0.0	13.2	9	19.1	50,361	61.9
Totals						
2015	**100.0**	**100.0**	**58**	**100.0**	**53,782**	**100.0**
2016	**100.0**	**100.0**	**47**	**100.0**	**81,405**	**100.0**

Source: 2010 U.S. Census ; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

The bank's lending performance to moderate-income borrowers was weak and considered poor during this review period. The bank originated one home loan each in 2015 and 2016 to moderate-income borrowers. Lending to moderate-income borrowers in 2015 and 2016 compares poorly to aggregate market levels and to the area's demographic data. Although the level of lending to moderate-income borrowers increased slightly in 2016, the bank's lending to moderate-income borrowers is poor. The increase was strictly a result of a decline in the bank's overall home mortgage lending volume.

A review of market share data provides additional insight into the bank's home mortgage lending performance. The 2015 market share report shows there were 204 lenders that reported originating or purchasing 2,545 home loans to moderate-income borrowers in the assessment area. Out of the 204 lenders, Bankwell ranked 156th with a 0.04% market share by number of loans. By dollar amount the bank ranked 144th with a 0.05% market share. During 2016, the number of lenders originating loans to moderate-income borrowers in the assessment area increased to 207. These lenders report originating or purchasing 2,642 home loans. Bankwell ranked 172nd with a 0.04% market share by number of loans. By dollar of loans the bank ranked 169th with a 0.04% market share.

The bank continues to have substantial percentage of borrowers for which income is not reported. These loans are commercial loans secured by the borrowers' residence. The significant volume of such loans may skew the bank's performance under this criterion. These borrowers represented 36.2% of home loans in 2015 and 19.1% of home loans in 2016.

Community Development Lending

Community development lending includes loans that have a primary purpose if community development and have not been reported or collected by the bank for consideration as a home mortgage, small business, small farm, or consumer loan. Community development, by definition, includes affordable housing for low- and moderate-income individuals or families; service to low- and moderate-income individuals; activities that promote economic development; or activities that revitalize or stabilize low- and moderate-income geographies, distressed/underserved non-metropolitan middle-income geographies, or designated disaster areas.

The institution's community development activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending: and 3) the extent of leadership the institution has demonstrated in community development lending.

Bankwell originated a relatively high level of community development loans. During the evaluation period, the bank made or renewed 17 community development loans totaling approximately $24.3 million to various organizations throughout the assessment areas. Dollars extended in the form of community development loans increased substantially year over year. Community Development loans represent 2.1% of average total loans and 1.8% of average total assets. These loans helped to support affordable housing initiatives and to revitalize and stabilize low- and moderate-income neighborhoods by retaining and attracting small businesses. These were identified needs within the assessment areas. The table below shows the bank's qualified community development loans targeted to low- and moderate-income individuals or areas by year, amount, and purpose.

Table 11 - Community Development Lending

Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stablize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
2015	6	6,276	1	825	0	0	2	2,550	9	6,276
2016	6	12,837	0	0	0	0	2	5,170	8	18,007
Total	12	**19,113**	1	825	0	0	4	7,720	17	24,283

Source: Bank Records

The following are examples of community development loans originated during this evaluation period.

- In 2015, the bank originated a loan for $1.4 million to finance equipment purchases for an environmental hazard remediation company located in a low-income census tract. This loan assisted with bringing new jobs to the area and retaining existing jobs.

- In 2015, the bank granted a $500,000 increase in a line of credit from $1 million to $1.5 million. Funds from the line are used to finance affordable housing properties. The properties are deed restricted to ensure rental to low- and moderate-income renters.

- In 2015, the bank renewed its portion of a line of credit in support of improving home ownership opportunities for low- and moderate-income individuals. The line was renewed for $750,000 with funds to be used to provide down payment assistance to low- and moderate-income first time homebuyers.

- In 2016, the bank originated a $3.2 million loan on a 40 unit affordable housing project. This property operates as low-income housing under a low-income commitment issued by the CHFA that is in effect until 2025. Under this commitment all of the units must be rented affordably to tenants making less than or equal to 60% of the area median income.

- In 2016, the bank originated a loan for $3.4 million to fund renovation and expansion of a 17,400 s.f. mixed-use retail/ office building located in a low-income census tract with in a Connecticut Enterprise Zone. This project will help to stabilize and revitalize this area by helping to attract and retain small businesses.

Innovative and Flexible Lending
The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: (1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of credit worthy borrowers not previously served by the institution; (2) the success of each product serving low- and moderate-income borrowers, including number and dollar volume of loans originated during the review period.

The bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs. Bankwell offers various small business and special mortgage loan programs tailored to serve the credit needs of small businesses and low- and moderate-income individuals in the area. Below are descriptions of the programs that highlight the innovative and/or flexible underwriting standards employed in the origination of loans for low- and moderate-income people and to businesses of different sizes. The following sections describe Bankwell's innovative and/or flexible programs by lending focus.

Small Business Lending Programs

<u>Small Business Administration (SBA)</u>
Bankwell offers loans under the SBA 7(a) and SBA 504 loan programs, which offer financing for qualified businesses that may not be eligible for traditional bank financing. Proceeds can be used for land acquisition, construction or renovation, working capital, purchase of machinery, equipment, furniture, fixtures, or inventory, refinancing existing debt, or purchasing an eligible business. During this evaluation period, the bank originated twenty-six loans totaling approximately $19.7 million.

Home Loan Programs
Bankwell's participation in various flexible residential mortgage programs which help to strengthen its efforts to address one of the primary needs of its assessment area. Examples of loan programs offered by the bank are summarized below.

<u>Housing Development Fund (HDF) SmartMove</u>
Bankwell participates in the Housing Development Fund SmartMove Program. For qualified borrowers, SmartMove provides low-interest 20 year second mortgages of up to 20% of the purchase price of the home. SmartMove borrowers do not have to pay for mortgage insurance and benefit from lower mortgage payments. Borrowers can put down as little as 1% of the purchase price toward the purchase of their home. During this review period, the bank funded 24 loans totaling approximately $951,000.

<u>Multifamily Affordable Housing Program</u>

Bankwell participates in the HDF Multifamily Lending Program. This program offers financing to developers, including non-profit organizations, for-profit companies, and private individuals. The program requires property deed restrictions to ensure the continued affordability of the underlying housing units. The bank originated one loan for $2.5 million in 2016.

Federal Home Loan Bank of Boston Mortgage Partnership Finance (MPF) Program
The bank also offers reduced down payment loans through FHLB mortgage partnership program. In 2016, the bank originated two mortgages totaling $763,000.

Fannie Mae Conventional 97
The bank offers flexible mortgages through the Fannie Mae Conventional 97 loan program. This program allows qualified borrowers to purchase homes with a 3% down payment. To qualify the borrower must not have had ownership interest in a property in the last three years, have an income that does not exceed 115% of the median as defined by the Department of Housing and Urban Development, and complete pre-purchase homebuyer education and counseling requirements. The bank originated 3 mortgages totaling approximately $963,000.

INVESTMENT TEST

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which qualified investments are not routinely provided by private investors.

Bankwell has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. During this evaluation period, the bank had $15.8 million in qualified investments and $105,825 in donations and grants. Community development investments held during this evaluation period represent 8.4% of total investments and 1.0% of total assets as of December 31, 2016. The bank's investments exhibit a good responsiveness to credit and community economic development needs.

Bonds and Debentures

- During this review period, the bank purchased two bonds issued by the Housing Authority of the Town of New Canaan totaling $6.8 million. Purchased on January 27, 2016, bond proceeds were used to fund the construction of 33 units that provide affordable housing to low and moderate-income individuals. Bond covenants restrict tenants' income to 80% of the area's median family income and rents are limited to no more than 30% of tenants' gross income.

- Prior to the current review period, the bank purchased a $7.7 million bond. The bond funds renovations to Clinton Manor in Stamford, an 88 unit high-rise residential building that provides affordable housing to low- and moderate-income seniors. Charter Oak Communities, the housing authority of Stamford, is trying to replace older public housing with modern, attractive communities that expand the number of residents and the neighborhood as a whole. The bank continues to hold this bond with book balance of $5.3 million.

- Prior to the current review period, the bank purchased a $4.0 million Multifamily Housing Revenue Bond on December 30, 2009. Proceeds from the bond financed the acquisition, demolition, construction, and renovation of the Mills Apartment Project in New Canaan. The project provides 40 affordable housing units for the area's low- and moderate-income residents. The current book value of the bond is $3.7 million.

- Prior to the current review period, the bank purchased a General Obligation Bond from The New Canaan Housing Authority for $634,500 on January 15, 2008. Proceeds from the bond were used to finance the acquisition and development of two affordable housing units. Rents for the units are affordable to low- and moderate-income residents. The bond remains on the bank's books with a current value of $172,000.

<u>Qualified Donations</u>
During this evaluation period, the bank provided $105,825 in grants and donations to support community development initiatives throughout its assessment areas. Donations represented 0.3% of pre tax net operating income between January 1, 2015 and December 31, 2016. These donations were provided in addition to the other community development investments described in the previous section.

The donations made during this evaluation period were to organizations whose primary mission were to address some of the identified needs of the assessment areas. To that end, donations were made to organizations that provide affordable housing, health and human services, and education.

SERVICE TEST
The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income area or individuals; and 4) their responsiveness to available opportunities for community development services.

<u>Accessibility of Delivery Systems</u>
Delivery systems are accessible to essentially all portions of the bank's assessment areas. With the addition of the three branches opened in 2018, Bankwell operates twelve full service offices throughout the assessment areas. The bank operates one full service branch in a moderate-income census tract within the city of Stamford. There are no offices or ATMs located in low-income census tracts.

Alternative delivery systems include ATMs, online banking, online bill pay, mobile banking, and remote deposit capture. Popmoney, which allows person-to-person money transfers, is also offered for customer convenience. These free services allow customers throughout the assessment area access to their accounts 24 hours a day, 7 days a week.

Table 12 - Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	20	11.0	85,763	10.5	0	0.0	0	0.0
Moderate	32	17.6	158,516	19.4	1	11.1	1	10.0
Middle	57	31.3	252,470	30.9	5	55.6	5	50.0
Upper	73	40.1	320,004	39.2	3	33.3	4	40.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Totals	**182**	**100.0**	**816,753**	**100.0**	**9**	**100.0**	**10**	**100.0**
Source: 2010 U.S. Census & Bank Data *Due to rounding, totals may not equal 100.0*								

Changes in Branch Locations

To the extent changes have been made, the bank's record of opening and closing branches has not significantly affected accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. In 2016, the bank removed the ATM located in the Building and Land Technology's cafeteria due to low usage. Although this ATM was located in a low-income census tract, access was limited to the company's employees. A loan production office located in a low-income tract in Bridgeport was closed in June 2017. This office was also closed due to inactivity. On June 9, 2018, the bank opened three full service branches, one each in Darien, Stamford, and Westport. These branches are all located in upper-income census tracts. No branch relocations occurred during this review period.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that would inconvenience any portion of the assessment area, particularly low- and moderate-income geographies or individuals. Bankwell's hours of operation are convenient and comparable to other local area institutions. Although branch hours vary slightly among locations, no hours vary so much as to inconvenience a specific geography or group. All offices offer extended hours throughout the week and limited hours on Saturday. All offices are equipped with ATMs and a majority of offices offer drive up facilities.

Community Development Services

Bankwell continues to provide an adequate level of community development services throughout the assessment areas. Directors, officers, and employees of the bank are involved in local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise or technical assistance to community development organizations throughout the combined assessment area.

The bank's directors, officers, and employees are involved in local community development organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as board and committee members. They also offer financial literacy workshops and first time homebuyers programs. Further, the bank's website includes Money Manager, a free financial management tool that assists customers with budgeting. During this evaluation period, bank staff provided over 800 hours of financial expertise or technical assistance to community development-related organizations throughout the bank's assessment areas. Examples of community development organizations served during this review period are noted below:

Connecticut Housing Finance Authority (CHFA)
Executive Vice President and Chief Loan Officer serves on the board of CHFA. Created in 1969, CHFA is a self-supporting quasi-public housing agency charged with the purpose of expanding affordable housing opportunities for Connecticut's low- and moderate-income families and individuals.

Greater New Haven Chamber of Commerce (GNHCC)
Senior Vice President served as chairman of the economic development committee of GNHCC. This organization promotes economic development within south central Connecticut. This organization works to shape public policy and foster business growth within the region.

Housing Development Fund (HDF)
Two bank officers serve on the loan committee of HDF. HDF is a nonprofit organization established to promote the development of affordable housing throughout Connecticut. Programs include the pre-development, acquisition, rehabilitation, and construction of affordable housing, as well as downpayment and closing cost assistance loans to low- and moderate-income families and individuals. HDF is a certified Community Development Financial Institution (CDFI) and HUD-certified counseling and lending agency.

Housatonic Industrial Development Corporation (HIDC)
Vice President of Commercial Lending is a board member of HIDC. HIDC is a statewide, private, non-profit certified development company (CDC) based in Danbury, Connecticut. HIDC assist small businesses acquire, build, or expand owner-occupied real estate and other fixed assets. The organization works with banks and other lenders using the SBA 504 loan program to provide long term financing at competitive rates. By providing such financing, HIDC helps Connecticut's small businesses grow, create, or retain jobs.

<u>Education and Seminars</u>
The bank continues to be actively involved in providing financial education throughout the assessment areas. The bank serves its assessment areas by responding to the need for financial education for individuals of varying ages. During this evaluation period, the bank conducted programs in financial literacy, life skills, and money management for low- and moderate-income students in Hamden, New Canaan and Wilton. Adult programs focused on first time homebuyer education and money management for low- and moderate-income individuals and families. Adult programs were offered in New Haven and Norwalk. The bank also participated in a FDIC Money Smart workshop sponsored by Neighborhood Housing Services of New Haven.

<u>Other Community Development Services</u>

<u>Interest on Lawyers Trust Account (IOLTA)</u>
Bankwell participated in the Connecticut Bar Foundation IOLTA program. The funds remitted to this program are used to provide legal assistance to low-income individuals. During this evaluation period, Bankwell remitted $18,059 in 2015 and $17,732 in 2016.

Interest on Real Estate Trust Accounts (IORETA)
Bankwell also participate in the Connecticut Housing Finance Authority (CHFA) IORETA program. Funds from IORETAs are used to provide real estate services to low- and moderate-income individuals. The program requires real estate brokers to deposit residential and commercial escrow funds into interest-bearing accounts. At the discretion of the prospective buyer, the interest may be remitted to CHFA to help lower-income families with the costs of obtaining a home. Bankwell has one IORETA and remitted $45 in 2015 and $27 in 2016.

Foreclosure Prevention
The bank actively work with delinquent borrowers in an effort to prevent foreclosure when practicable. Each borrower's situation is evaluated on a case-by-case basis. Options may include extending interest only payments, refinancing at a lower interest rate, and consolidating a first mortgage and home equity line of credit into a loan with an extended term and/or lower rate.

METROPOLITAN AREAS

DECRIPTION OF INSTITUTION'S OPERATIONS IN BRIDGEPORT-STAMFORD-NORWALK, CT MSA (Full Scope)

A full scope review of the Bridgeport-Stamford-Norwalk, CT MSA was conducted because significant portions of Bankwell's operations take place there. Bankwell operates 8 out of its 10 full service offices in the Bridgeport-Stamford-Norwalk, CT MSA. In addition, the bank originated 78.1% of all loans and received 87.4% of all deposits in this MSA.

Description of Assessment Area
The Bridgeport-Stamford-Norwalk, CT MSA assessment area includes the cities and towns of Darien, Fairfield, Greenwich, New Canaan, Norwalk, Stamford, Westport, and Wilton. These municipalities are part of Fairfield County in Connecticut. Located in the southwestern corner of Connecticut, Fairfield County is the most affluent county in Connecticut. This county contains four of the state's largest cities including Norwalk and Stamford, which are part of this assessment area.

The following table illustrates select demographic data for the Bridgeport-Stamford-Norwalk, CT MSA assessment area.

Table 13 – Demographic Information of the Bridgeport – Stamford –Norwalk, CT MSA Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	98	6.1	14.3	29.6	50.0	0.0
Population by Geography	413,744	6.1	17.1	28.4	48.3	0.0
Housing Units by Geography	162,835	6.0	19.0	30.8	44.1	0.0
Owner-Occupied Units by Geography	107,252	2.3	11.3	31.6	54.8	0.0
Occupied Rental Units by Geography	44,756	14.7	37.2	29.9	18.3	0.0
Vacant Units by Geography	10,827	7.5	20.6	27.5	44.5	0.0
Businesses by Geography	51,834	5.9	15.1	25.7	53.4	0.0
Farms by Geography	1,237	6.6	18.3	31.0	44.1	0.0
Family Distribution by Income Level	104,563	18.2	14.0	17.9	49.9	0.0
Household Distribution by Income Level	152,008	20.9	13.3	15.9	49.9	0.0
Median Family Income MSA - 14860 Bridgeport-Stamford-Norwalk, CT MSA		$100,593	Median Housing Value			$666,203
			Median Gross Rent			$1,435
			Families Below Poverty Level			4.4%

Source: 2010 U.S. Census and 2016 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.

Geographies
The assessment area is composed of 98 or 54.1%, of the 181 census tracts contained in the bank's combined assessment area. There are 6 (6.1%) low-income census tracts, 14 (14.3%) moderate-income census tracts, 29 (29.6%) middle-income census tracts, and 49 (50.0%) upper-income census tracts. The area's low- and moderate-income census tracts are located in Stamford and Norwalk. The city of Stamford contains three low-income and eight moderate-income geographies. There are three low-income census tracts and six moderate-income census tracts in Norwalk.

Population
According to the 2010 U.S. Census data, this area has a total population of 413,744. There are 104,563 families residing in the assessment area. Of these families, 18.2% are low-income, 14.0% are moderate-income, 17.9% are middle-income, and 49.9% are upper-income. Approximately 4.4% of all families or 24.2% of low-income families have incomes below the poverty level. This is likely to pose a significant challenge for lenders to extend home mortgage loans to this segment of the population even with flexible lending programs.

Housing
The area contains 162,835 housing units, of which 65.9% are owner-occupied and 27.5% are occupied rental units. Nearly, 6.7% of housing units in the area are vacant. Approximately, 2.3% of the area's owner-occupied units are located in low-income geographies and 11.3% are located in moderate-income census tracts.

An analysis of housing affordability within this assessment area was conducted during this review. According to the 2010 U.S. Census, this area had a median housing value of $760,270. This value is high in comparison to income levels. The area's home value is 31.6% higher than the median home value for the MSA ($577,629) and over two and half times the median home value for Connecticut ($296,500).

The 2010 U.S. Census estimates that the median household income for the area is $113,582. These income level results in an affordability ratio of .15 (weighted). As previously mentioned values, closer to 1 indicates greater affordability. The affordability ratios for the MSA and state were .16 (weighted) and .23 (weighted) respectively.

The following table shows the 2015 and 2016 FFIEC adjusted median family income ranges.

Table 14– Median Family Income Ranges

Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Bridgeport-Stamford-Norwalk, CT MSA Median Family Income (14860)				
2015 ($107,500)	<$53,750	$53,750 to <$86,000	$86,000 to <$129,000	≥$129,000
2016 ($104,400)	<$52,200	$52,200 to <$83,520	$83,520 to <$125,280	≥$125,280

Source: FFIEC
Due to rounding, totals may not equal 100.0

As reflected in the table above, home ownership remains a challenge for many particularly those with low- and moderate-incomes.

Unemployment

The unemployment rate for Fairfield County continues to decline and remains below the state and national averages. According to U.S. Bureau of Labor Statistics, the 2017 annual average unemployment rate for Fairfield County was 4.5% compared to 5.4% for Connecticut and 5.1% national average. These levels are down from the 2016 annual averages of 4.9% for Fairfield County, 5.4% for Connecticut, and 5.1% for the United States. March 2018 rates reflect further improvement with 4.6% for the county, 4.7% for the state, and a national average of 4.1%.

Business Data

According to the 2016 D&B Business Demographics, there are 51,834 businesses located in the area. Of these businesses, 86.6% reported gross annual revenues of $1 million or less and 6.5% reported revenues over $1million. A substantial majority of area businesses are small businesses with four or fewer employees. Specifically, 77.2% have four or fewer employees, and 91.4% operate from a single location. The Service industry represent the largest portion of area businesses at 51.4%; followed by finance, insurance, and real estate at 12.9%, retail trade at 9.7%, and construction at 7.8%. Non-classifiable establishments account for an additional 6.4% of area businesses.

Competition

This assessment area is highly competitive for financial services. According to the June 30, 2016 FDIC Market Share Data 23 financial institutions operated 158 full service branches within this assessment area. Of these institutions, Bankwell ranked seventh with a 4.6% deposit market share.

There is competition for small business loans among several banks, credit unions, and credit card companies, and other non-depository lenders. In 2016, 125 lenders reported 32,365 small business loans totaling $935.1 million originated in Fairfield County where this assessment area is located. Bankwell ranked 24th out of this group of lenders with a 0.2% market share. The top three lenders accounted for 58.2% of total market share.

In 2016, 358 lenders reported originating or purchasing 12,800 home mortgage loans totaling \$8.6 billion in this assessment area. Bankwell originated 58 loans and was ranked 58^{th} with a 0.3% market share. The top three lenders were large national and regional banks accounting for a combined market share of 25.7%.

Credit and Community Development Needs and Opportunities
Based on information from bank management and demographic data, the primary needs of the combined assessment area are flexible lending programs to help low- and moderate-income residents obtain home ownership, the support for the creation and rehabilitation of affordable housing units, and flexible lending programs to support small businesses in their efforts to expand, and create and/or retain jobs. There is also a strong need for both financial and technical support for local community organizations whose primary missions are to serve the needs of the low- and moderate-income populations in the area. Identified needs are consistent throughout both assessment areas.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST
Bankwell's performance within the Bridgeport-Stamford-Norwalk, CT MSA is consistent with its overall performance. The bank's performance in this assessment area received the greatest weight when assigning ratings.

Lending Activity
The bank demonstrates an adequate responsiveness to credit needs in this portion of the assessment area. During the review period, by number, Bankwell originated 85.7% of its home mortgage loans and 81.0% of its small business loans within this assessment area. By dollar, the bank originated 77.3% of its home mortgage loans and 76.4% of its small business loans within this portion of the assessment area.

Geographic Distribution
The geographic distribution of loans reflects a poor penetration among commercial customers and a good penetration among retail customers throughout the Bridgeport-Stamford-Norwalk, CT MSA.

Small Business Loans
The geographic distribution of small business loans reflects a poor penetration throughout the assessment area particularly in low- and moderate-income geographies.

During 2015, Bankwell originated 7.9% of its small business loans in low-income census tracts. This level was above both aggregate market performance and the percentage of the area's small business located in these geographies. However, in 2016, the level of lending to businesses in low-income geographies dropped significantly and was below both aggregate market performance and the percentage of small businesses located in low-income census tracts.

Table 15 - Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2015	5.9	6.6	5	7.9	1,437	10.9
2016	5.9	6.3	1	1.8	200	1.5
Moderate						
2015	15.0	15.4	2	3.2	150	1.1
2016	15.1	15.0	1	1.8	125	0.9
Middle						
2015	25.7	26.6	8	12.7	1,986	15.1
2016	25.7	26.2	19	33.9	5,703	42.0
Upper						
2015	53.4	51.4	48	76.2	9,575	72.8
2016	53.4	52.4	35	62.5	7,551	55.6
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
Totals						
2015	**100.0**	**100.0**	**63**	**100.0**	**13,148**	**100.0**
2016	**100.0**	**100.0**	**56**	**100.0**	**13,579**	**100.0**

Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

During 2015 and 2016, Bankwell's lending in moderate-income census tracts was substantially below both aggregate market performance and the percentage of area businesses located in these geographies. The bank's small business lending decreased year over year, likewise lending in low- and moderate-income geographies also decreased.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects a good penetration throughout this assessment area. This is supported by the bank's lending in low- and moderate-income geographies throughout this assessment area. The following table reflects the distribution of home loans by census tract income level. Only those loans originated within the assessment area are included in this analysis.

Bankwell extended 6.4% of its home mortgage loans to borrowers residing in low-income census tracts during 2015. This level was above both aggregate market performance levels and the percentage of owner-occupied housing units located in such geographies. The bank's level of home mortgage lending in low-income tracts decreased to 2.3% in 2016, but remained above aggregate market performance and comparable to the percentage of owner-occupied housing units in these geographies.

Table 16 – Geographic Distribution of Home Mortgage Loans							
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	Market Share % of #	#	%	$(000s)	%
Low							
2015	2.3	1.7	1.4	3	6.4	6,267	14.7
2016	2.3	1.7	0.5	1	2.3	11,100	17.9
Moderate							
2015	11.3	10.6	0.5	7	14.9	1,837	4.3
2016	11.3	10.5	0.4	6	14.0	4,662	7.5
Middle							
2015	31.6	29.7	0.2	6	12.8	3,871	9.1
2016	31.6	29.5	0.2	7	16.3	15,470	25.0
Upper							
2015	54.8	57.9	0.4	31	66.0	30,515	71.8
2016	54.8	58.3	0.4	29	67.4	30,725	49.6
Not Available							
2015	0.0	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0.0	0	0.0	0	0.0
Totals							
2015	**100.0**	**100.0**	**0.4**	**47**	**100.0**	**42,490**	**100.0**
2016	**100.0**	**100.0**	**0.3**	**43**	**100.0**	**61,957**	**100.0**

Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

During 2015, 14.9% of Bankwell's residential lending directly benefitted borrowers residing in moderate-income census tracts. This level was above both the aggregate market performance and the portion of owner-occupied housing units located in these geographies. In 2016, the bank's level of lending in moderate-income census tracts dropped slightly but remained above both aggregate market performance and area demographics.

Borrower Profile

Bankwell's distribution of borrowers reflects, given the product lines offered by the institution, a poor penetration among retail customers of different income levels and an adequate penetration among business customers of different sizes. This analysis focused primarily on lending to small businesses and to low- and moderate-income borrowers. This is supported by adequate lending to businesses with revenues less than $1 million and weak lending to moderate-income borrowers.

Small Business Loans

The distribution of borrowers reflects poor penetration among business customers of different sizes. In 2015, Bankwell extended 30.2% of small business loans to businesses with gross annual revenues of $1 million or less, which is below aggregate market and demographic data. In 2016, the bank's small business lending increased to 39.3%. However, the representative level of area businesses defined as small businesses also increased.

A review of the market share reports provide additional support for the bank's performance. During 2015, 108 lenders reported originating 13,946 loans to businesses with gross annual revenues of $1 million or less. Of these 108 lenders, Bankwell ranked 19th with 22 loans and a 0.16% market share.

In 2016, 124 lenders reported originating 15,547 commercial loans to businesses reporting gross annual revenues of $1 million or less. Bankwell's ranking improved to 20th with a 0.21% market share. The top three lenders in the market were American Express, Citibank, and Bank of America. During 2016, collectively, these lenders accounted for a 70.37% market share. The market share reports appear to indicate that the bank's performance is adequate given the bank's resources and the level of competition within this assessment area.

Table 17 - Distribution of Small Business Loans by Gross Annual Revenue Category

Assessment Area: Bankwell Fairfield County Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	$(000s)	%
<=$1,000,000						
2015	80.4	51.5	19	30.2	3,770	28.7
2016	86.6	47.9	22	39.3	5,374	39.6
>1,000,000						
2015	5.4	--	43	68.3	9,178	69.8
2016	6.5	--	34	60.7	8,205	60.4
Revenue Not Available						
2015	14.1	--	1	1.6	200	1.5
2016	6.9	--	0	0.0	0	0.0
Totals						
2015	**100.0**	**100.0**	**63**	**100.0**	**13,148**	**100.0**
2016	**100.0**	**100.0**	**56**	**100.0**	**13,579**	**100.0**

Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0

Home Mortgages

The distribution of home loans by borrower income level reflects a poor penetration among retail customers of different income levels particularly those with moderate-incomes. The following table shows the distribution of home mortgage loans by income category of the borrower.
In 2015, the bank's lending to low-income borrowers was below aggregate market data and well below the percentage of low-income families residing in the assessment area. In 2016, lending to low-income borrowers improved with 4.7% of the bank's home mortgage loans extended to these borrowers. This level was above aggregate market performance, which also reflected a decline, but remained below demographic levels.

Table 18 – Distribution of Home Mortgage Loans by Borrower Income Level							
Assessment Area: Bankwell Fairfield County Assessment Area							
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**Market Share % of #**	**#**	**%**	**$(000s)**	**%**
Low							
2015	18.2	3.1	0.3	1	2.1	84	0.2
2016	18.2	2.8	0.6	2	4.7	195	0.3
Moderate							
2015	14.0	8.9	0.1	1	2.1	261	0.6
2016	14.0	9.2	0.1	1	2.3	186	0.3
Middle							
2015	17.9	14.4	0.3	5	10.6	1,403	3.3
2016	17.9	14.9	0.3	6	14.0	2,206	3.6
Upper							
2015	49.9	60.8	0.4	28	59.6	24,820	58.4
2016	49.9	63.4	0.3	26	60.5	27,591	44.5
Not Available							
2015	0.0	12.9	0.8	12	25.5	15,922	37.5
2016	0.0	9.7	0.6	8	18.6	31,779	51.3
Totals							
2015	**100.0**	**100.0**	**0.4**	**47**	**100.0**	**42,490**	**100.0**
2016	**100.0**	**100.0**	**0.3**	**43**	**100.0**	**61,957**	**100.0**

Source: 2010 U.S. Census ; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

Lending to moderate-income borrowers was consistently below both aggregate market performance and the percentage of area families with moderate-incomes during this review period.

Bank lending data throughout this review period included a high percentage of borrowers for which income information was not available. In 2015 and 2016, 25.5% and 18.6% of originated home loans were extended to such borrowers.

COMMUNITY DEVELOPMENT LENDING

Bankwell has a relatively high number of community development loans within the Fairfield County assessment area. The bank extended or renewed 13 community development loans totaling $21.1 million during this evaluation period. Community development loans primarily supported the creation or rehabilitation of multifamily properties that increased affordable housing units and promoted expansion of area businesses that help to retain and create jobs. Refer to Combined Assessment Area section in this evaluation for examples of community development loans originated during this review period.

INVESTMENT TEST
Bankwell's performance in this assessment area was similar to the bank's overall investment activities. Of the bank's reported $25.2 million qualified investments, all but $3,000 were made within the Fairfield County assessment area. This is to be expected since Bankwell's main office and most of its activities occur in this county. Examples of key qualified investments are summarized in the Combined Assessment Area section of this evaluation.

SERVICE TEST
Bankwell provides an adequate level of retail and community banking services within the Fairfield County Assessment Area. Retail banking services are accessible to essentially all segments of this assessment area, including low- and moderate-income geographies and individuals. The bank operates one full service branch in a moderate-income census tract. Additionally, automated teller machines, online banking, and extended branch hours increase the accessibility of the bank's products and services.

Furthermore, the bank has organized and participated in seminars and other programs that provide education and community development services to the residents of this assessment area, particularly those with low- and moderate-income. These programs primarily centered on financial literacy and first time homebuyer education. During this evaluation period, the bank employees served 402 hours specifically on community development activities within this assessment area. An additional 160 hours were provided to a statewide organization whose affordable housing programs include this assessment area. Refer to the Combined Assessment Area section of this evaluation for examples of community development services provided.

NEW HAVEN-MILFORD, CT MSA

Description of Assessment Area
The New Haven MSA assessment area is composed of the municipalities of Bethany, Cheshire, East Haven, Hamden, New Haven, North Branford, North Haven, Wallingford, West Haven, and Woodbridge. With 83 census tracts, this assessment area represents 45.8% of the geographies within the combined area. There are 14 (16.9%) low-income, 18 (21.7%) moderate-income, 27 (32.5%) middle-income, and 24 (28.9%) upper-income census tracts.

Operations
Bankwell has a limited physical presence in this assessment area operating just two full service branches in Hamden and North Haven. The North Haven branch is located in a moderate-income census tract. The Hamden office is located in an upper-income geography. There have been no offices opened or closed in this assessment area during the review period. As Table 1 shows, this assessment area represents 24.4% of loan originations and 12.6% of bank deposits.

Key demographics for this assessment area are reflected in the table below.

Table 19 – Demographic Information of the Assessment Area						
Assessment Area: Bankwell Bank New Haven-Milford MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	84	16.7	21.4	33.3	28.6	0.0
Population by Geography	403,009	15.0	21.7	33.5	29.8	0.0
Housing Units by Geography	165,411	14.6	22.4	35.3	27.6	0.0
Owner-Occupied Units by Geography	91,533	5.2	16.1	38.9	39.8	0.0
Occupied Rental Units by Geography	60,588	25.7	31.1	31.5	11.6	0.0
Vacant Units by Geography	13,290	28.9	26.3	27.9	17.0	0.0
Businesses by Geography	29,086	10.9	15.8	40.0	33.4	0.0
Farms by Geography	700	5.3	12.4	31.4	50.9	0.0
Family Distribution by Income Level	96,978	23.6	16.7	19.6	40.1	0.0
Household Distribution by Income Level	152,121	26.9	15.2	17.1	40.8	0.0
Median Family Income MSA - 35300 New Haven-Milford, CT MSA		$77,379	Median Housing Value			$270,829
			Median Gross Rent			$1,035
			Families Below Poverty Level			8.5%

Source: 2010 U.S. Census and 2016 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.

Population

The assessment area has a total population of 403,009. There are 96,978 families residing within the assessment area. Low- and moderate-income families represent a significant portion of the area's families at 40.3%. Additionally, 8.5% of area families or 36.1% of low-income families have incomes below the poverty level. As would be expected, a substantial majority of low-income families reside in low- and moderate-income geographies. A combined 62.2% of low-income families reside in low-and moderate-income census tracts. Moderate-income families are more geographically dispersed with just 13.9% residing in low-income census tracts and 27.0% residing in moderate-income geographies.

Housing

This area contains 165,411 housing units, of which 55.3% are owner-occupied units and 36.6% are occupied rentals. The vacancy rate for the area is 8.0%. Only 5.2% of the area's owner-occupied units are located in low-income census tracts and 16.1% are located in moderate-income census tracts.

The median home value for the assessment area is $293,947 according to the 2010 U.S. Census data. With a reported median household income of $63,252, the affordability index for the area is .21. As previously mentioned, the affordability index for the Bridgeport-Stamford-Norwalk MSA assessment area was .15, thus indicating that housing is more affordable in this area. Housing cost in this assessment area is also comparable to that for the MSA where the assessment area is located and the state. The affordability index for the Bridgeport-Stamford-Norwalk MSA is also .21 and .23 for Connecticut. Again the closer to 1.0 the more affordable housing is in a given geography. Nonetheless, many low- and moderate-income families will be challenged to support the costs of homeownership given that median home value is more than 4.5 times the area's median household income.

Table 20 below reflects FFIEC adjusted median family income ranges for 2015 and 2016. It is worth noting that the upper limit for moderate-income families is only slightly higher than the 2010 U.S. Census median household income level, indicating that housing affordability in this area remains challenging.

Table 20 – Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
New Haven-Milford, CT MSA Median Family Income (35300)				
2015 ($80,800)	<$40,400	$40,400 to <$64,640	$64,640 to <$96,960	≥$96,960
2016 ($81,000)	<$40,500	$40,500 to <$64,800	$64,800 to <$97,200	≥$97,200
Source: FFIEC *Due to rounding, totals may not equal 100.0*				

Unemployment
The U.S. Bureau of Labor Statistics shows March 2018, the unemployment rate for New Haven County was 5.0%. Although generally declining, the current unemployment rate for New Haven County remains above both the state and national averages. For 2017, the annual average unemployment rates for New Haven County, Connecticut, and the United States were 5.0%, 4.7%, and 4.4% respectively. These levels are down from the annual averages reported in 2016 of 5.5% for the county, 5.1% for the state, and the national rate of 4.9%.

Business Demographics,
According to 2016 D&B data, there were 29,086 businesses in the assessment area. An overwhelming majority of companies operating in the area qualify as small businesses. Nearly 85.3% of area businesses reported gross annual revenues of $1 million or less, 6.1% reported revenues over $1 million, and 8.6% did not report revenues. Approximately 75.0% of these businesses have four or fewer employees and 90.4% operate from a single location.

Consistent with most of the state, the services industry represents the largest portion of businesses at 51.2%, followed by retail trade (12.4%), construction (9.1%), and finance, insurance, and real estate (8.4%). Non-classifiable establishments account for an additional 5.7% of area businesses.

Competition
According to the FDIC Deposit Market Share Data as of June 30, 2017, there were 15 banks operating 104 offices within the bank's assessment area. Bankwell ranked 11th with a deposit market share of 1.8%. The top four depository institutions were Wells Fargo Bank (18.6%), Bank of America (18.6%), KeyBank (14.8%), and People's United Bank (12.0%) resulting in a combined 64.0% market share.

This assessment area is located within New Haven County. Competition for small business loans in this county is also strong. The 2016 aggregate market small business lending data shows 116 lenders originated 22,663 loans totaling $714 million within New Haven County. Bankwell ranked 36th with 25 small business loans and a 0.1% market share.. The top three lenders, which accounted for a combined 51.7% market share, were Citibank (23.1%), American Express (20.4%), and US Bank (8.3%).

Competition for home mortgage loans is also strong within the assessment area. Aggregate market home mortgage data shows that 295 lenders originated or purchased loans within this assessment area. These lenders accounted for 8,016 mortgages totaling approximately $1.8

billion. The top three lenders were Wells Fargo Bank (9.3%), Quicken Loans (4.4%), and Webster Bank (3.1%), which accounted for a 16.9% combined market share. Bankwell ranked 154th having originated four home loans resulting in a 0.1% market share.

Credit and Community Development Needs and Opportunities
Based on information from bank management and demographic data, examiners determined that small business loans and affordable housing are the primary credit needs within this assessment area. Area businesses generally meet the definition of a small business. Such businesses require generally flexible loan programs that enable small businesses to obtain financing which may not otherwise be available under standard loan programs. Additionally, there is a strong need for affordable housing in the area. Opportunities exist to support the creation and retention of affordable housing units, as well as to assist low- and moderate-income individuals and families achieve home ownership or otherwise obtain affordable housing.

CONCLUSIONS ON PERFORMANCE CRITERIA

Lending Test

Lending Activity
The bank's lending level reflects a generally adequate responsiveness to the credit needs of the New Haven assessment area.

In 2015, Bankwell originated 19.2% of small business loans by number and 26.0% by dollar amount. The bank made 19.0% of home mortgage loans by number and 21.0% by dollar volume. In 2016, this assessment area accounted for 12.5% of small business loans by number and 13.3% by dollar volume, and 8.5% of home mortgage loans by number and 23.9% by dollar volume.

According to the 2016, Small Business Market Share Report, Bankwell ranked 36th out of 115 lenders that reported originating and/or purchasing small business loans in the New Haven assessment area. The bank had a 0.11% market share based on number of loans. The 2016 Home Mortgage Market Share Report shows that Bankwell ranked 155th out of 296 lenders that reported originating or purchasing home mortgages in the assessment area. Bankwell had a market share of 0.1% by number of loans. These lending volumes appear adequate given the bank's limited physical presence in this market and the high level of competition in the area.

Geographic Distribution
The geographic distribution of bank loans reflects a poor dispersion among geographies of different income levels for both small business and home mortgage loans. The bank's performance in this assessment area was assigned less weight when arriving at the bank's overall ratings. This is because the bank has a limited presence in this area and only a small portion of the bank's overall activities occurs here.

Small Business Loans
As reflected in the table below, the geographic distribution reflects a poor penetration in low-income census tracts. During 2015, the bank's lending in low-income tracts exceeded both the percentage of small businesses in low-income geographies and aggregate market performance. However, in 2016, the bank's lending declined and no loans were extended to small businesses located in low-income census tracts.

As reflected in the table below, Bankwell's lending levels to small businesses consistently lagged both aggregate market performance and the percentage of small businesses located in moderate-income census tracts. During 2015, the bank extended 13.3% of its small business loans to companies located in moderate-income geographies. This level was below both the percentage of small businesses operating in moderate-income tracts and aggregate market performance. In 2016, the percentage of small business loans extended in moderate-income census tracts declined to 12.5%, which was below both aggregate market performance and the percentage of small businesses operating in these geographies.

Table 21 - Geographic Distribution of Small Business Loans

Assessment Area: Bankwell New Haven Assessment Area						
Tract Income Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2015	10.7	7.9	2	13.3	969	21.0
2016	10.9	7.7	0	0.0	0	0.0
Moderate						
2015	15.8	15.3	2	13.3	1,075	23.3
2016	15.8	14.9	1	12.5	263	12.6
Middle						
2015	39.6	39.8	3	20.0	195	4.2
2016	40.0	38.5	4	50.0	1,300	62.4
Upper						
2015	33.9	37.0	8	53.3	2,376	51.5
2016	33.4	39.0	3	37.5	522	25.0
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
Totals						
2015	**100.0**	**100.0**	**15**	**100.0**	**4,615**	**100.0**
2016	**100.0**	**100.0**	**8**	**100.0**	**2,085**	**100.0**

Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

Home Mortgage Loans

The geographic distribution of home loans reflects a poor penetration throughout this assessment area particularly to low-income geographies. In 2015, the bank extended 27.3% of its home mortgage loans to borrowers residing in low-income census tracts. This level exceeds both aggregate market performance and the portion of the area's owner-occupied units located in these geographies. During 2016, the bank originated no home loans in low-income geographies.

In 2015, the bank extended 9.1% of home mortgage loans in moderate-income geographies. This level is below both aggregate market performance and the percentage of owner-occupied units located in these geographies. Although the number of home loans originated in moderate-income census tracts remained unchanged the bank's level of lending increased to 25.0% as overall lending volume declined. The bank's 2016 home mortgage lending levels exceeded both aggregate market performance and the percentage of owner-occupied housing units located in moderate-income geographies. Refer to Table 22 for the distribution of home mortgage loans by geography for the New Haven Assessment Area.

Table 22 – Geographic Distribution of Home Mortgage Loans						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2015	5.2	5.4	3	27.3	2,500	22.1
2016	5.2	4.6	0	0.0	0	0.0
Moderate						
2015	16.1	14.8	1	9.1	143	1.3
2016	16.1	13.8	1	25.0	18,582	95.5
Middle						
2015	38.9	39.4	5	45.5	7,851	69.5
2016	38.9	40.0	2	50.0	536	2.8
Upper						
2015	39.8	40.5	2	18.2	798	7.1
2016	39.8	41.5	1	25.0	330	1.7
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
Totals						
2015	**100.0**	**100.0**	**11**	**100.0**	**11,292**	**100.0**
2016	**100.0**	**100.0**	**4**	**100.0**	**19,448**	**100.0**

Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the bank, an adequate penetration among business customers of varying revenues and a poor penetration among retail customers of different income levels. Overall, the distribution of loans by borrower income is reasonable. Reasonable lending to small businesses primarily supported this conclusion.

Small Business Loans

The distribution of small business loans reflects, given the product lines offered by the bank, a poor penetration among business customers of different sizes. The following table shows the bank's small business loans by gross annual revenue category.

In 2015, Bankwell originated 46.7% of small business loans to businesses with gross annual revenues of $1 million or less slightly below aggregate market performance of 50.5%. The bank lending level was also well below the 78.9% of small businesses operating in the area. During 2016, the bank's lending to businesses with gross annual revenues of $1 million or less declined to 37.5% and was again below aggregate market performance and the percentage of small businesses operating in the New Haven Assessment Area.

Table 23 - Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	$(000s)	%
<=$1,000,000						
2015	78.9	50.5	7	46.7	2,505	54.3
2016	85.3	46.7	3	37.5	463	22.2
>1,000,000						
2015	5.4	--	6	40.0	310	6.7
2016	6.1	--	5	62.5	1,622	77.8
Revenue Not Available						
2015	15.6	--	2	13.3	1,800	39.0
2016	8.6	--	0	0.0	0	0.0
Totals						
2015	**100.0**	**100.0**	**15**	**100.0**	**4,615**	**100.0**
2016	**100.0**	**100.0**	**8**	**100.0**	**2,085**	**100.0**

Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0

A review of aggregate market data provides additional insight into the bank's performance levels. In 2015, Bankwell ranked 31st with a 0.1% market share out of 93 lenders that reported originating or purchasing small business loans in New Haven County. In 2016, the bank's ranking dropped to 36th out of 115 lenders in the area. The top lenders in the county were large national credit card banks.

Home Mortgage Loans

The distribution of borrowers reflects, given the product lines offered by the bank, poor penetration among retail customers. Bankwell originated only one loan to low- and moderate-income borrowers during this review period. During 2015, the bank did not make any home loans to low- or moderate-income borrowers in the New Haven Assessment Area. During 2016, one home loan was extended a low-income borrower and no home loans were made to moderate-income borrowers. Table 24 shows the distribution of home loans by borrower income levels within this assessment area.

Table 24 – Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2015	23.6	5.3	0	0.0	0	0.0
2016	23.6	5.3	1	25.0	203	1.0
Moderate						
2015	16.7	19.1	0	0.0	0	0.0
2016	16.7	18.0	0	0.0	0	0.0
Middle						
2015	19.6	21.4	0	0.0	0	0.0
2016	19.6	24.4	0	0.0	0	0.0
Upper						
2015	40.1	32.3	2	18.2	1,136	10.1
2016	40.1	33.5	2	50.0	663	3.4
Not Available						
2015	0.0	21.9	9	81.8	10,156	89.9
2016	0.0	18.8	1	25.0	18,582	95.5
Totals						
2015	**100.0**	**100.0**	**11**	**100.0**	**11,292**	**100.0**
2016	**100.0**	**100.0**	**4**	**100.0**	**19,448**	**100.0**

Source: 2010 U.S. Census ; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

Community Development Lending
Bankwell made an adequate level of community development loans in this assessment area. During this review period, the bank originated or renewed four community development loans totaling $3.9 million. Refer to the Community Development Loan section of the Combined Assessment Area for a more detailed summary of community development lending activities.

Innovative and Flexible
Less than a majority of the bank's flexible lending activities occurred in this area. All products offered by the bank are available throughout the combined assessment area. The bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs.

INVESTMENT TEST
Bankwell has made only limited direct qualified investments in this assessment area. Qualified investments were limited to grants and donations totaling $3,050 during this review period. However, the bank made other investments that may indirectly benefit this assessment area. Refer to the Combined Assessment Area section of this evaluation for a summary of other qualified investments.

SERVICE TEST
The bank's performance in this area is consistent with performance in the Combined Assessment Area.

Accessibility of Delivery Systems
Banking services are essentially accessible to all segments of this assessment area. Extended business hours and alternative delivery systems further enhance the availability of products and services to all bank customers including those with low- and moderate-income. Bankwell maintains two full service branches within this assessment area. One office is located in a middle-income census tract and the other is located in an upper-income census tract. The bank has not opened, closed, or relocated any branches within this assessment area since the previous evaluation.

Community Development Services
Bankwell provides an adequate level of community development services within this assessment area. Periodically, the bank sponsors or participates in financial literacy workshops and first time homebuyer programs primarily for low- and moderate-income individuals. Additionally, bank employees provide financial and technical expertise to various community organizations whose primary mission is to help serve the needs of low- and moderate-income persons and/or to promote economic development in low- and moderate-income neighborhoods.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a country or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms;
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
(5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

(1) Has as its primary purpose community development; and
(2) Except in the case of a wholesale or limited purpose bank:
    (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
    (ii) Benefits the bank's assessment area(s) or broader statewide or regional area including the bank's assessment area (s).

Community Development Service: A service that

(1) Has as its primary purpose community development;
(2) Is related to the provision of <u>financial</u> services; and
(3) Has not been considered in the evaluation of the bank's retail banking services under §345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metroplitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) An unemployment rate of at least 1.5 times the national average;

(2) A poverty rate of 20 percent or more; or
(3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5 year period preceding the most recent census.

Family: Includes a householder and one or more persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineation by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and tie income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less that median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with a least one urbanized area having a population of at least 10,000 but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institutions will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBIC are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of the SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for the preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.