

CPP ANNUAL USE OF CAPITAL SURVEY - 2013

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Severn Bancorp, Inc. and Severn Savings Bank, FSB

Person to be contacted regarding this report:	Thomas G. Bevivino	RSSD: (For Bank Holding Companies)	3831465
UST Sequence Number:	71	Holding Company Docket Number: (For Thrift Holding Companies)	H1799
CPP/CDCI Funds Received:	23,393,000	FDIC Certificate Number: (For Depository Institutions)	32367
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	N/A	City:	Annapolis
Date Repaid ¹ :	N/A	State:	Maryland

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Severn Savings Bank, FSB ("Severn") was able to maintain lending programs primarily to qualified residential borrowers and small businesses in part from the higher levels of capital received from the CPP in 2008. Severn originated and funded approximately \$249 million of loans during 2013
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Severn's loan portfolio declined from approximately \$663 million at December 31, 2012 to \$606 million at December 31, 2013 primarily due to 2 bulk loan sales in 2013. However, Severn did actively lend in 2013 primarily to qualified residential and small business borrowers.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Severn's investments increased approximately \$11 million to \$45 million at December 31, 2013, from \$34 million at December 31, 2012.

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	Severn had loan and OREO charge-offs of approximately \$21 million in 2013 as a result of two bulk loan sales of under-performing and non-performing loans, and the aggressive steps by Management to reduce OREO. The increased capital from the CPP in 2008 helped to offset this.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Severn's capital position did improve from the funds received from the CPP, thus enabling it to aggressively reduce problem assets in 2013.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Severn was able to maintain its "well capitalized" capital status by participating in the CPP in 2008. By doing this, Severn's capital exceeded regulatory requirements for a "well capitalized" bank throughout 2013. This status helped Severn to avoid any need to raise additional capital.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Severn was able to conduct two bulk sales of under-performing and non-performing loans in 2013 due to its strong capital position. This was in part due to the funds received by participating in the CPP in 2008. In addition, Severn was able to increase its product offerings to businesses and consumers, including additional commercial lending products and an expanded line of consumer lending and deposit products.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

None noted

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