

Severn Bancorp, Inc.
Consolidated Income Statement
(dollars in thousands, except per share data)
(Unaudited)

Quarterly income statement results:	Three Months Ended September 30,		\$ Change	% Change
	2017	2016		
Interest Income				
Interest on loans	\$ 7,742	\$ 7,479	\$ 263	3.52%
Interest on securities	330	280	50	17.97%
Other interest income	167	83	84	101.29%
Total interest income	8,239	7,842	397	5.07%
Interest Expense				
Interest on deposits	1,011	1,019	(8)	-0.72%
Interest on long term borrowings	897	1,106	(209)	-18.89%
Total interest expense	1,908	2,125	217	-10.18%
Net interest income	6,331	5,717	614	10.74%
Provision for (reversal of) loan losses	-	50	(50)	-100.00%
Net interest income after provision for loan losses	6,331	5,667	664	11.72%
Other Income				
Mortgage-banking revenue	334	1,042	(708)	-68.01%
Real Estate Commissions	311	455	(144)	-31.67%
Real Estate Management Income	197	214	(17)	-7.95%
All other income	557	185	372	200.87%
Net other income	1,399	1,896	(497)	-26.27%
Net interest income after provision for loan losses plus other income	7,730	7,563	167	2.19%
Non-Interest Expenses				
Compensation and related expenses	3,288	4,028	(740)	-18.38%
Net Occupancy & Depreciation	354	486	(132)	-27.12%
Net Costs of Foreclosed Real Estate	126	41	85	206.69%
Other	1,753	1,575	178	11.27%
Total non-interest expenses	5,521	6,130	(609)	-9.95%
Income before income tax provision	2,209	1,433	776	54.13%
Income tax provision	950	378	572	151.36%
Net income	\$ 1,259	\$ 1,055	\$ 204	19.29%
Net income available to common shareholders	\$ 1,121	\$ 539	\$ 582	107.98%

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(Unaudited)

Year-to-Date income statement results:

	Nine Months Ended September 30,		\$ Change	% Change
	2017	2016		
Interest Income				
Interest on loans	\$ 22,267	\$ 21,847	\$ 420	1.92%
Interest on securities	927	890	37	4.21%
Other interest income	498	251	247	98.23%
Total interest income	23,692	22,988	704	3.06%
Interest Expense				
Interest on deposits	2,924	3,002	(78)	-2.59%
Interest on long term borrowings	2,844	3,493	(649)	-18.58%
Total interest expense	5,768	6,495	(727)	-11.19%
Net interest income	17,924	16,493	1,431	8.68%
Provision for (reversal of) loan losses	(650)	150	(800)	-533.33%
Net interest income after provision for loan losses	18,574	16,343	2,231	13.65%
Other Income				
Mortgage-banking revenue	1,150	2,693	(1,543)	-57.31%
Real Estate Commissions	959	1,246	(287)	-23.07%
Real Estate Management Income	513	564	(51)	-8.97%
All other income	1,140	1,076	64	5.92%
Net other income	3,762	5,579	(1,817)	-32.58%
Net interest income after provision for loan losses plus other income	22,336	21,922	414	1.89%
Non-Interest Expenses				
Compensation and related expenses	10,719	11,478	(759)	-6.61%
Net Occupancy & Depreciation	1,015	1,387	(372)	-26.84%
Net Costs of Foreclosed Real Estate	166	184	(18)	-10.01%
Other	5,120	5,252	(132)	-2.51%
Total non-interest expenses	17,020	18,301	(1,281)	-7.00%
Income before income tax provision	5,316	3,621	1,695	46.80%
Income tax provision	2,150	(10,816)	12,966	-119.88%
Net income	\$ 3,166	\$ 14,437	\$ (11,271)	-78.07%
Net income available to common shareholders	\$ 2,753	\$ 12,864	\$ (10,111)	-78.60%

Severn Bancorp, Inc.
Consolidated Balance Sheet
(dollars in thousands, except per share data)
(Unaudited)

Balance Sheet Data:	September 30, 2017	December 31, 2016	\$ Change	% Change
<u>ASSETS</u>				
Cash	\$ 1,654	\$ 39,396	\$ (37,742)	-95.80%
Federal funds and Interest bearing deposits in other banks	39,981	27,718	12,263	44.24%
Investment securities available for sale	3,129	-	3,129	100.00%
Investment securities held to maturity	58,764	62,757	(3,993)	-6.36%
Loans held for sale	4,871	10,307	(5,436)	-52.74%
Loans receivable	650,964	610,278	40,686	6.67%
Loan valuation allowance	(7,936)	(8,969)	1,033	-11.52%
Accrued interest receivable	2,503	2,249	254	11.30%
Foreclosed real estate, net	1,104	973	131	13.47%
Premises and equipment, net	23,398	24,030	(632)	-2.63%
Restricted stock investments	4,699	5,103	(404)	-7.92%
Bank owned life insurance	5,023	-	5,023	100.00%
Deferred income taxes	8,002	10,081	(2,079)	-20.62%
Prepaid expenses and other assets	5,174	3,562	1,612	45.26%
	\$ 801,330	\$ 787,485	\$ 13,845	1.76%
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>				
Deposits	\$ 593,492	\$ 571,946	\$ 21,546	3.77%
Borrowings	93,450	103,500	(10,050)	-9.71%
Subordinated Debentures	20,619	20,619	-	0.00%
Accounts payable and accrued expenses	1,759	3,490	(1,731)	-49.59%
Total Liabilities	709,320	699,555	9,765	1.40%
Preferred stock	4	4	0	9.38%
Common stock	122	121	1	1.23%
Additional paid-in capital	65,290	63,960	1,330	2.08%
Retained earnings	26,598	23,845	2,753	11.54%
Accumulated comprehensive income (loss)	(4)	-	(4)	100.00%
Total Stockholders' Equity	92,010	87,930	4,080	4.64%
	\$ 801,330	\$ 787,485	\$ 13,845	1.76%

Severn Bancorp, Inc.
Selected Financial Data

(dollars in thousands, except per share data)
(Unaudited)

	<u>Nine Months Ended September 30,</u>		<u>Three Months Ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Per Share Data:				
Basic earnings per share	\$ 0.23	\$ 1.14	\$ 0.09	\$ 0.04
Diluted earnings per share	\$ 0.22	\$ 1.13	\$ 0.09	\$ 0.04
Average basic shares outstanding	12,140,689	11,324,660	12,172,586	12,104,379
Average diluted shares outstanding	12,248,214	11,375,853	12,323,572	12,183,739
Performance Ratios:				
Return on average assets	0.53%	2.48%	0.63%	0.54%
Return on average equity	4.80%	21.05%	5.69%	4.29%
Net interest margin	3.25%	3.07%	3.38%	3.19%
Efficiency Ratio	77.72%	82.08%	69.80%	79.98%
	<u>September 30, 2017</u>	<u>December 31, 2016</u>		
Asset Quality Data:				
Non-accrual loans	\$ 6,377	\$ 9,852		
Foreclosed real estate	1,104	973		
Total non-performing assets	7,481	10,825		
Total non-accrual loans to total loans	1.0%	1.6%		
Total non-accrual loans to total assets	0.8%	1.3%		
Allowance for loan losses	7,936	8,969		
Allowance for loan losses to total loans	1.2%	1.5%		
Allowance for loan losses to total non-accrual loans	124.4%	91.0%		
Total non-performing assets to total assets	0.9%	1.4%		
Non-accrual troubled debt restructurings (included above)	2,375	2,392		
Performing troubled debt restructurings	15,416	18,066		
Loan to deposit ratio	109.7%	106.7%		