

Severn Bancorp, Inc.

FOR IMMEDIATE RELEASE

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Severn Bancorp, Inc. Announces Fourth Quarter and Year End Earnings

Annapolis, MD (January 29, 2018) – Severn Bancorp, Inc., (“the Company”), (Nasdaq: SVBI) parent company of Severn Bank (“Severn”), today announced a net loss of \$349 thousand or \$.03 per diluted share for the fourth quarter of 2017 compared to net income of \$1.1 million or \$.08 per diluted share for the fourth quarter of 2016. Net income was \$2.8 million or \$.21 per diluted share for the year ended December 31, 2017, compared to net income of \$15.5 million or \$1.15 per diluted share for the year ended December 31, 2016. Net income for the year ended December 31, 2016 included the removal of the valuation allowance on the deferred tax asset. This led to a gain of \$11.8 million being recorded as an income tax benefit. On a pre-tax basis, income was \$7.8 million and \$5.5 million for the years ended December 31, 2017 and 2016, respectively.

Both fourth quarter and year-end earnings for 2017 were adversely impacted with the signing into law of the Tax Cuts and Jobs Act (the “Act”) which was enacted on December 22, 2017 and went into effect January 1, 2018. The Company’s net deferred tax asset was based on the previously enacted federal tax rate of 34%. As a result of the reduction in the maximum corporate income tax rate to 21% under the Act, the Company revalued its net deferred tax asset at December 31, 2017. This resulted in a reduction in the value of the net deferred tax asset of approximately \$1.9 million, which is recorded as additional income tax expense in the Company’s statement of operations for the fourth quarter of 2017. Discounting the impact of the one-time deferred tax asset adjustment the Company would have reported net income of \$1.5 million or \$.12 per diluted share for the fourth quarter of 2017 and net income of \$4.7 million or \$.38 per diluted share for the year ended December 31, 2017.

During 2017 the Company experienced loan growth of \$57.9 million which was an increase of 9.48%, and achieved \$30.3 million worth of deposit growth. Asset quality continues to improve with non-performing assets decreasing from 1.4% of total assets down to 0.8% year over year. The cost of funds decreased significantly with interest on borrowings decreasing 27.6% quarter over quarter and down 20.65% year over year. Higher cost borrowings also decreased by \$15.0 million. The Company saw an improvement in its efficiency ratio to 69.42% from 80.97% quarter over quarter and 75.45% compared to 81.64% year over year.

“Our 2017 story is a good one,” stated Alan J. Hyatt, President and Chief Executive Officer. Mr. Hyatt continued, “We made strong and steady progress each quarter last year. All of the trends are positive and continue to head in the right direction. Loan growth is strong and deposit growth is good. We are building strong community banking relationships and remain committed to serving Anne Arundel County residents and businesses. More than ever we are dedicated to improving shareholder value and making Severn the premier community bank in the region.”

About Severn Bank: Founded in 1946, Severn is a full-service community bank offering a wide array of personal and commercial banking products as well as residential and commercial mortgage lending. It has assets of approximately \$804 million and five branches located in Annapolis, Edgewater and Glen Burnie, and Severna Park, Maryland. The bank specializes in exceptional customer service and holds itself and its employees to a high standard of community contribution. Severn Bank is a trade name used by Severn Savings Bank, FSB. Severn is on the Web at www.severnbank.com.

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Forward Looking Statements

In addition to the historical information contained herein, this press release contains forward-looking statements that involve risks and uncertainties that may be affected by various factors that may cause actual results to differ materially from those in the forward-looking statements. The forward-looking statements contained herein include, but are not limited to, those with respect to management’s determination of the amount of loan loss reserve and statements about the economy. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “will,” “would,” “could,” “should,” “guidance,” “potential,” “continue,” “project,” “forecast,” “confident,” and similar expressions are typically used to identify forward-looking statements. Severn’s operations and actual results could differ significantly from those discussed in the forward-looking statements. Some of the factors that could cause or contribute to such differences include, but are not limited to, changes in the economy and interest rates both in the nation and in Severn’s general market area, federal and state regulation, competition and other factors detailed from time to time in Severn’s filings with the Securities and Exchange Commission (the “SEC”), including “Item 1A. Risk Factors” contained in Severn’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Severn Bancorp, Inc.
Consolidated Income Statement
(dollars in thousands)
(Unaudited)

Quarterly income statement results:

| | Three Months Ended December 31, | | \$ Change | % Change |
|---|---------------------------------|----------|------------|----------|
| | 2017 | 2016 | | |
| Interest Income | | | | |
| Interest on loans | \$ 8,026 | \$ 7,415 | \$ 611 | 8.24% |
| Interest on securities | 305 | 259 | 46 | 17.76% |
| Other interest income | 199 | 88 | 111 | 126.14% |
| Total interest income | 8,530 | 7,762 | 768 | 9.89% |
| Interest Expense | | | | |
| Interest on deposits | 1,113 | 1,031 | 82 | 7.95% |
| Interest on long term borrowings | 749 | 1,035 | (286) | -27.63% |
| Total interest expense | 1,862 | 2,066 | (204) | -9.88% |
| Net interest income | 6,668 | 5,696 | 972 | 17.07% |
| Provision for (reversal of) loan losses | 0 | (500) | 500 | -100.00% |
| Net interest income after provision for (reversal of) loan losses | 6,668 | 6,196 | 472 | 7.62% |
| Other Income | | | | |
| Mortgage-banking revenue | 357 | 961 | (604) | -62.85% |
| Real Estate Commissions | 400 | 283 | 117 | 41.34% |
| Real Estate Management Income | 162 | 174 | (12) | -6.90% |
| All other income | 558 | 74 | 484 | 654.05% |
| Net other income | 1,477 | 1,492 | (15) | -1.01% |
| Net interest income after provision for (reversal of) plus other income | 8,145 | 7,688 | 457 | 5.94% |
| Non-Interest Expenses | | | | |
| Compensation and related expenses | 4,016 | 4,207 | (191) | -4.54% |
| Net Occupancy & Depreciation | 344 | 916 | (572) | -62.45% |
| Net Costs of Foreclosed Real Estate | (33) | 10 | (43) | -430.00% |
| Other | 1,295 | 650 | 645 | 99.23% |
| Total non-interest expenses | 5,622 | 5,783 | (161) | -2.78% |
| Income before income tax provision | 2,523 | 1,905 | 618 | 32.44% |
| Income tax provision | 2,872 | 802 | 2,070 | 258.10% |
| Net income (loss) | \$ (349) | \$ 1,103 | \$ (1,452) | -131.64% |
| Net income (loss) available to common shareholders | \$ (419) | \$ 1,033 | \$ (1,452) | -140.56% |

Severn Bancorp, Inc.
Consolidated Income Statement
(dollars in thousands)
(Unaudited)

Year-to-Date income statement results:

| | Year Ended December 31, | | \$ Change | % Change |
|---|--------------------------------|-------------|------------------|-----------------|
| | 2017 | 2016 | | |
| Interest Income | | | | |
| Interest on loans | \$ 30,294 | \$ 29,262 | \$ 1,032 | 3.53% |
| Interest on securities | 1,233 | 1,149 | 84 | 7.29% |
| Other interest income | 697 | 339 | 358 | 105.60% |
| Total interest income | 32,224 | 30,750 | 1,474 | 4.79% |
| Interest Expense | | | | |
| Interest on deposits | 4,037 | 4,033 | 4 | 0.10% |
| Interest on long term borrowings | 3,593 | 4,528 | (935) | -20.65% |
| Total interest expense | 7,630 | 8,561 | (931) | -10.87% |
| Net interest income | 24,594 | 22,189 | 2,405 | 10.84% |
| Provision for (reversal of) loan losses | (650) | (350) | (300) | 85.71% |
| Net interest income after provision for (reversal of) loan losses | 25,244 | 22,539 | 2,705 | 12.00% |
| Other Income | | | | |
| Mortgage-banking revenue | 1,507 | 3,654 | (2,147) | -58.76% |
| Real Estate Commissions | 1,358 | 1,529 | (171) | -11.17% |
| Real Estate Management Income | 675 | 738 | (63) | -8.52% |
| All other income | 1,698 | 1,150 | 548 | 47.67% |
| Net other income | 5,238 | 7,071 | (1,833) | -25.92% |
| Net interest income after provision for (reversal of) plus other income | 30,482 | 29,610 | 872 | 2.94% |
| Non-Interest Expenses | | | | |
| Compensation and related expenses | 14,734 | 15,425 | (691) | -4.48% |
| Net Occupancy & Depreciation | 1,358 | 1,858 | (500) | -26.91% |
| Net Costs of Foreclosed Real Estate | 132 | 194 | (62) | -31.96% |
| Other | 6,418 | 6,607 | (189) | -2.86% |
| Total non-interest expenses | 22,642 | 24,084 | (1,442) | -5.99% |
| Income before income tax provision | 7,840 | 5,526 | 2,314 | 41.87% |
| Income tax provision | 5,022 | (10,014) | 15,036 | -150.15% |
| Net income (loss) | \$ 2,818 | \$ 15,540 | \$ (12,722) | -81.87% |
| Net income (loss) available to common shareholders | \$ 2,538 | \$ 13,318 | \$ (10,780) | -80.94% |

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

| Balance Sheet Data: | December 31, 2017 | December 31, 2016 | \$ Change | % Change |
|--|--------------------------|--------------------------|------------------|-----------------|
| ASSETS | | | | |
| Cash | \$ 2,382 | \$ 39,396 | \$ (37,014) | -93.95% |
| Federal funds and Interest bearing deposits in other banks | 28,251 | 27,718 | 533 | 1.92% |
| Investment securities available for sale | 10,119 | - | 10,119 | 100.00% |
| Investment securities held to maturity | 54,303 | 62,757 | (8,454) | -13.47% |
| Loans held for sale | 4,530 | 10,307 | (5,777) | -56.05% |
| Loans receivable | 668,151 | 610,278 | 57,873 | 9.48% |
| Loan valuation allowance | (8,055) | (8,969) | 914 | -10.19% |
| Accrued interest receivable | 2,640 | 2,249 | 391 | 17.39% |
| Foreclosed real estate, net | 403 | 973 | (570) | -58.58% |
| Premises and equipment, net | 23,139 | 24,030 | (891) | -3.71% |
| Restricted stock investments | 4,489 | 5,103 | (614) | -12.03% |
| Bank owned life insurance | 5,064 | - | 5,064 | 100.00% |
| Deferred income taxes | 5,302 | 10,081 | (4,779) | -47.41% |
| Prepaid expenses and other assets | 4,070 | 3,562 | 508 | 14.26% |
| | \$ 804,788 | \$ 787,485 | \$ 17,303 | 2.20% |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | |
| Deposits | \$ 602,228 | \$ 571,946 | \$ 30,282 | 5.29% |
| Borrowings | 88,500 | 103,500 | (15,000) | -14.49% |
| Subordinated debentures | 20,619 | 20,619 | - | 0.00% |
| Accounts payable and accrued expenses | 2,341 | 3,490 | (1,149) | -32.92% |
| Total Liabilities | 713,688 | 699,555 | 14,133 | 2.02% |
| Preferred stock | 4 | 4 | - | 0.00% |
| Common stock | 122 | 121 | 1 | 0.83% |
| Additional paid-in capital | 65,137 | 64,471 | 666 | 1.03% |
| Retained earnings | 25,873 | 23,334 | 2,539 | 10.88% |
| Accumulated comprehensive income (loss) | (36) | - | (36) | -100.00% |
| Total Stockholders' Equity | 91,100 | 87,930 | 3,170 | 3.61% |
| | \$ 804,788 | \$ 787,485 | \$ 17,303 | 2.20% |

Severn Bancorp, Inc.
Selected Financial Data

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

| | Year Ended December 31, | | Three Months Ended December 31, | |
|---|-------------------------|-------------------|---------------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Per Share Data: | | | | |
| Basic earnings per share | \$ 0.21 | \$ 1.16 | \$ (0.03) | \$ 0.09 |
| Diluted earnings per share | \$ 0.21 | \$ 1.15 | \$ (0.03) | \$ 0.08 |
| Average basic shares outstanding | 12,167,016 | 11,522,333 | 12,245,425 | 12,111,055 |
| Average diluted shares outstanding | 12,280,761 | 11,574,892 | 12,245,425 | 12,215,629 |
| Performance Ratios: | | | | |
| Return on average assets | 0.36% | 2.01% | -0.17% | 0.56% |
| Return on average equity | 3.21% | 16.61% | -1.59% | 4.36% |
| Net interest margin | 3.32% | 3.13% | 3.53% | 3.17% |
| Efficiency ratio* | 75.45% | 81.64% | 69.42% | 80.97% |
| | | | | |
| | December 31, 2017 | December 31, 2016 | | |
| Asset Quality Data: | | | | |
| Non-accrual loans | \$ 5,710 | \$ 9,852 | | |
| Foreclosed real estate | 403 | 973 | | |
| Total non-performing assets | \$ 6,113 | \$ 10,825 | | |
| Total non-accrual loans to total loans | 0.9% | 1.6% | | |
| Total non-accrual loans to total assets | 0.7% | 1.3% | | |
| Allowance for loan losses | \$ 8,055 | \$ 8,969 | | |
| Allowance for loan losses to total loans | 1.2% | 1.5% | | |
| Allowance for loan losses to total non-accrual loans | 141.1% | 91.0% | | |
| Total non-performing assets to total assets | 0.8% | 1.4% | | |
| Non-accrual troubled debt restructurings (included above) | \$ 819 | \$ 2,392 | | |
| Performing troubled debt restructurings | 13,713 | 18,066 | | |
| Loan to deposit ratio | 110.9% | 106.7% | | |

* The efficiency ratio is general and administrative expenses as a percentage of net interest income plus other income