

Severn Bancorp, Inc.

March 3, 2009

Mr. Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky,

I am in receipt of your letter dated February 6, 2009, regarding the use of funds we received as part of the Troubled Asset Relief Program (TARP), and would like to provide you with the following information:

Severn Bancorp, Inc. ("Bancorp") made application to the U.S. Department of Treasury to participate in the TARP program. On November 21, 2008, we entered into a letter agreement with the Treasury Department, pursuant to which we issued and sold 23,393 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series B, and a warrant to purchase 556,976 shares of Bancorp's common stock, for an aggregate purchase price of \$23,393,000.

Our reason for entering into this agreement was primarily to strengthen our balance sheet in terms of increased regulatory capital levels, and thereby enabling us to continue to originate loans in our market area. It has been our intention to leverage the TARP funds with additional funds from new customer deposits, Federal Home Loan Bank of Atlanta advances and brokered certificates of deposit, and lend the proceeds to qualified borrowers in our market area.

While we did not segregate the funds from other Bancorp funds, we do maintain a separate accounting for the TARP transaction and have tracked new loan originations since the TARP funding. New loan originations during the 90-day period from receiving the TARP funding totaled approximately \$43 million. Of the \$43 million in new loan originations, approximately \$34 million was funded. The remaining \$9 million to fund relates to construction loans waiting for construction phases to be completed. The funding of the \$34 million came in part from the TARP funding, as well as other sources, including increased customer deposits, brokered certificates of deposit, and loan payoffs. I have attached a copy of our report detailing the new loan originations for your review.

We continue to provide loans to qualified borrowers and have advertised our willingness to do so in the newspaper. In addition, Alan J. Hyatt, the President and Chief Executive Officer of Bancorp, has been interviewed by our local newspaper, The Annapolis Capital, and has been quoted discussing our desire to originate new loans. I've attached some

examples of our newspaper advertisements since the TARP funding, as well as a copy of Mr. Hyatt's article.

The Compensation Committee of Bancorp has met to review its current executive compensation program with the new Department of Treasury guidelines. The committee assesses the performance of each executive as well as the overall performance of the company when determining compensation. Specific loan activity, including new loan originations, loan risks, and loan collections are not part of the current executive compensation assessment. It is the intention of the committee to compensate Bancorp's executives within the terms set forth under the Department of Treasury guidelines.

I certify that the above information, and the attached documents and schedules are accurate to the best of my knowledge.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Bevivino', with a long horizontal line extending to the right.

Thomas G. Bevivino
Executive Vice President and Chief Financial Officer
Severn Bancorp, Inc.
200 Westgate Circle
Annapolis, MD 21401

**Severn Savings Bank, FSB
Loans Originated 11/24/08 to 2/24/09**

| Customer Name | Account Type Code | Account Number | Date Open | Original Loan Amt | LIP | Funded Balance |
|---------------|-------------------|----------------|------------|-------------------|------------|----------------|
| | | | 1/8/2009 | 78,008.36 | 0. | 78,008.36 |
| | | | 1/22/2009 | 25,000. | 0. | 25,000. |
| | | | 2/6/2009 | 200,000. | 200,000. | 0. |
| | | | 11/26/2008 | 150,500. | 0. | 150,500. |
| | | | 12/19/2008 | 481,500. | 0. | 481,500. |
| | | | 12/4/2008 | 555,000. | 0. | 555,000. |
| | | | 12/4/2008 | 73,425. | 0. | 73,425. |
| | | | 12/4/2008 | 422,500. | 0. | 422,500. |
| | | | 12/11/2008 | 362,000. | 0. | 362,000. |
| | | | 12/19/2008 | 225,000. | 0. | 225,000. |
| | | | 12/31/2008 | 560,000. | 0. | 560,000. |
| | | | 12/30/2008 | 650,000. | 0. | 650,000. |
| | | | 1/23/2009 | 840,000. | 0. | 840,000. |
| | | | 2/10/2009 | 140,000. | 0. | 140,000. |
| | | | 1/30/2009 | 30,000. | 0. | 30,000. |
| | | | 1/16/2009 | 70,000. | 0. | 70,000. |
| | | | 2/2/2009 | 225,000. | 0. | 225,000. |
| | | | 2/6/2009 | 460,000. | 0. | 460,000. |
| | | | 2/19/2009 | 417,000. | 0. | 417,000. |
| | | | 2/5/2009 | 283,000. | 0. | 283,000. |
| | | | 2/20/2009 | 265,000. | 0. | 265,000. |
| | | | 12/22/2008 | 259,228. | 204,255.03 | 54,972.97 |
| | | | 11/26/2008 | 885,000. | 151,494.61 | 733,505.39 |
| | | | 2/10/2009 | 300,000. | 205,000. | 95,000. |
| | | | 11/25/2008 | 160,000. | 97,500. | 62,500. |
| | | | 12/5/2008 | 337,500. | 93,758. | 243,742. |
| | | | 12/10/2008 | 193,000. | 87,480. | 105,520. |
| | | | 12/23/2008 | 207,124. | 15,124. | 192,000. |
| | | | 12/11/2008 | 385,000. | 229,822.15 | 155,177.85 |
| | | | 12/30/2008 | 372,000. | 225,000. | 147,000. |
| | | | 12/22/2008 | 315,000. | 220,000. | 95,000. |
| | | | 1/21/2009 | 450,000. | 51,525. | 398,475. |
| | | | 1/22/2009 | 217,500. | 68,543. | 148,957. |
| | | | 1/28/2009 | 305,000. | 135,926.25 | 169,073.75 |
| | | | 1/26/2009 | 154,800. | 90,000. | 64,800. |
| | | | 2/5/2009 | 123,200. | 49,200. | 74,000. |
| | | | 12/30/2008 | 2,640,000. | 0. | 2,640,000. |
| | | | 1/22/2009 | 1,042,000. | 0. | 1,042,000. |
| | | | 1/22/2009 | 231,000. | 0. | 231,000. |
| | | | 12/18/2008 | 344,000. | 0. | 344,000. |
| | | | 12/17/2008 | 3,840,000. | 0. | 3,840,000. |
| | | | 12/15/2008 | 20,000. | 0. | 20,000. |
| | | | 2/4/2009 | 157,000. | 0. | 157,000. |
| | | | 1/27/2009 | 425,000. | 0. | 425,000. |

| Customer Name | Account Type Code | Account Number | Date Open | Original Loan Amt | LIP | Funded Balance |
|------------------------|-------------------|----------------|------------|----------------------|---------------------|----------------------|
| | | | 1/23/2009 | 100,000. | 31,284.5 | 68,715.5 |
| | | | 2/6/2009 | 72,000. | 181.31 | 71,818.69 |
| | | | 2/3/2009 | 14,500. | 14,500. | 0. |
| | | | 12/31/2008 | 100,000. | 100,000. | 0. |
| | | | 1/23/2009 | 28,000. | 4,000. | 24,000. |
| | | | 1/28/2009 | 150,000. | 33.75 | 149,966.25 |
| | | | 2/12/2009 | 100,000. | 82,500. | 17,500. |
| | | | 12/10/2008 | 970,250. | 310,250. | 660,000. |
| | | | 2/4/2009 | 75,000. | 75,000. | 0. |
| | | | 2/6/2009 | 100,000. | 0. | 100,000. |
| | | | 12/31/2008 | 25,000. | 0. | 25,000. |
| | | | 12/18/2008 | 10,000. | 9,025.18 | 974.82 |
| | | | 1/9/2009 | 257,400. | 0. | 257,400. |
| | | | 12/23/2008 | 328,500. | 6,500. | 322,000. |
| | | | 1/9/2009 | 482,400. | 368,322.45 | 114,077.55 |
| | | | 12/26/2008 | 687,500. | 500,000. | 187,500. |
| | | | 2/6/2009 | 719,200. | 367,081. | 352,119. |
| | | | 1/9/2009 | 600,000. | 590,227. | 9,773. |
| | | | 12/31/2008 | 336,000. | 144,535.28 | 191,464.72 |
| | | | 12/30/2008 | 987,000. | 829,682. | 157,318. |
| | | | 1/7/2009 | 1,500,000. | 1,500,000. | 0. |
| | | | 1/7/2009 | 5,200,000. | 457,234.49 | 4,742,765.51 |
| | | | 1/7/2009 | 632,250. | 581,384.08 | 50,865.92 |
| | | | 12/16/2008 | 150,000. | 0. | 150,000. |
| | | | 1/29/2009 | 93,750. | 0. | 93,750. |
| | | | 2/18/2009 | 97,500. | 0. | 97,500. |
| | | | 12/31/2008 | 420,000. | 0. | 420,000. |
| | | | 11/25/2008 | 567,375. | 0. | 567,375. |
| | | | 2/12/2009 | 2,737,000. | 0. | 2,737,000. |
| | | | 1/23/2009 | 450,000. | 0. | 450,000. |
| | | | 2/17/2009 | 1,210,180. | 0. | 1,210,180. |
| | | | 2/20/2009 | 75,000. | 0. | 75,000. |
| | | | 12/29/2008 | 3,000,000. | 0. | 3,000,000. |
| | | | 12/23/2008 | 1,000,000. | 560,000. | 440,000. |
| TOTAL PORTFOLIO | | | | 43,152,090.36 | 8,656,369.08 | 34,495,721.28 |

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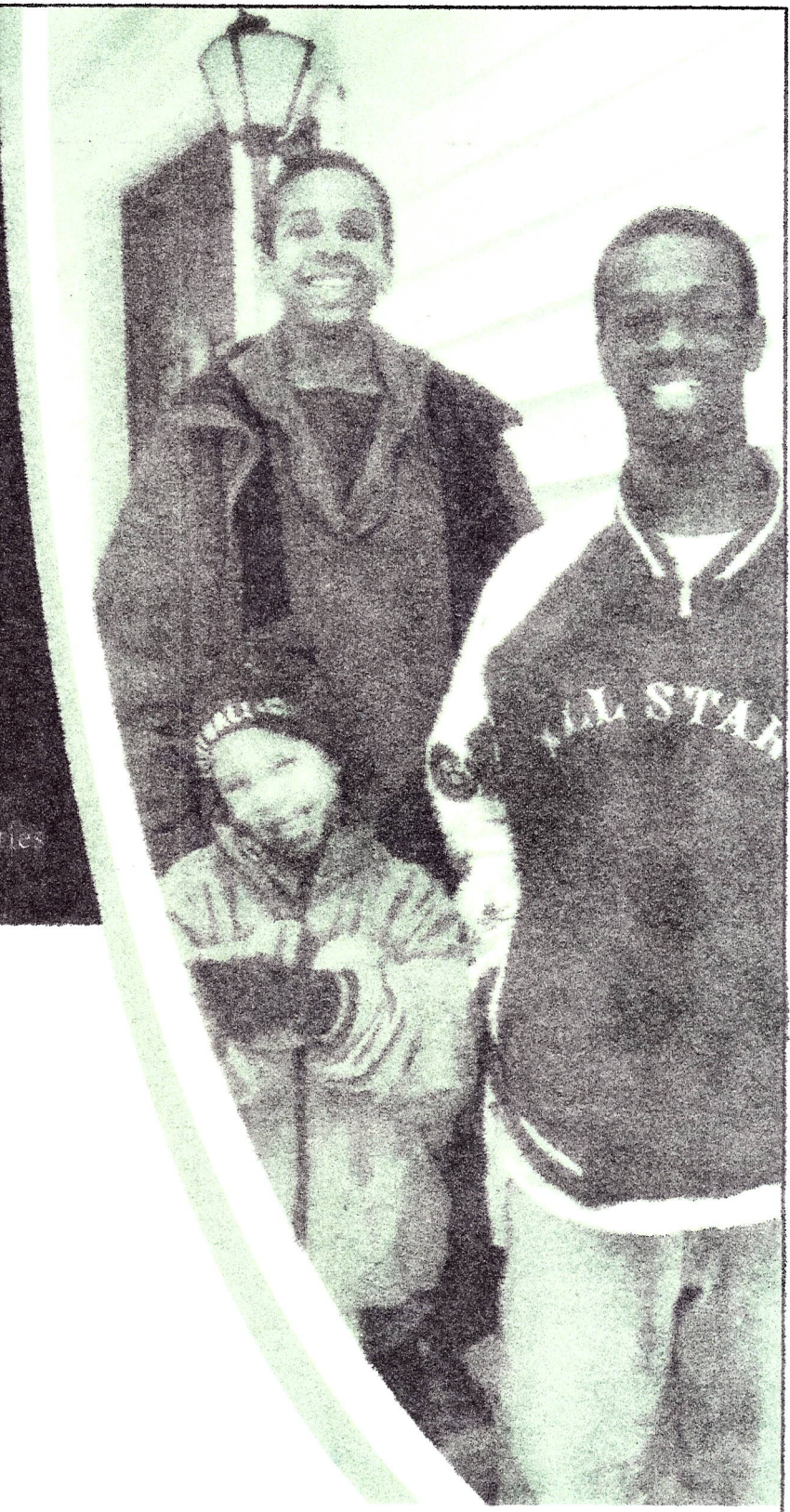
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down four of the past five sessions, has been volatile amid worries about how long a recession might be.

That's driven many retail investors to the sidelines, while big institutional traders like hedge funds keep major stock indexes vacillating. —AP

BANK AID

Severn Bancorp to get \$23.5 million federal investment

Annapolis-based Severn Bancorp, Inc., the parent company of Severn Savings Bank, said Tuesday it expects to receive a \$23.5 million equity investment from the federal government under a program designed to encourage banks to continue lending. The announcement came a day after Baltimore-based Provident Bank said it had received \$151 million through the same program. "While we are already a well capitalized institution, this infusion of low-cost capital ... will further strengthen our ability to continue our long-standing tradition of lending in our community," Severn Chairman and Chief Executive Officer Alan Hyatt said in a statement.

—Aron Catell

NEWSMAKERS

HOME BUILDERS

Home builders' confidence in a near-term housing recovery sank to a new all-time low this month, reflecting growing worries over the U.S. financial crisis, rising unemployment and weakening consumer confidence, an industry trade association said Tuesday. The National Association of Home Builders/Wells Fargo housing market index, started in January 1985, tumbled five points to

By Aaron Cahall
Examiner Staff Writer

Earlier this year, the Helen Delich Bentley Port of Baltimore charged ahead of the nation's other ports to become the top U.S. auto exporter. But plummeting auto sales could send its car business skidding.

The Port of Baltimore handled 600,000 auto imports and exports last year to regain its first-place ranking among the nation's 361 ports, said Maryland Port Administration Executive Director Jim White. That amounted to a 17 percent increase in the port's auto business for the fiscal year ending this June.

But this year White said the port expects to handle approximately 510,000 auto imports and exports, and said auto numbers from the first fiscal quarter were flat.

"We anticipated that," White said. "The world economy as well as our own economy was sliding into a recession and both imports and exports are off."

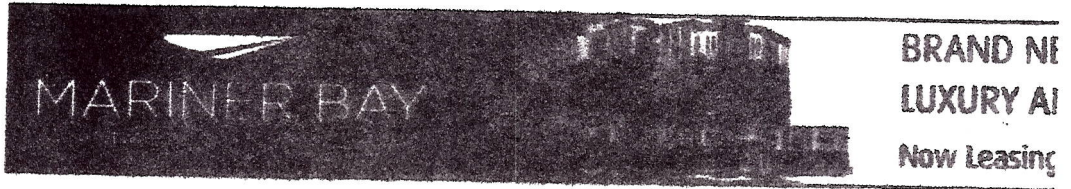
Last year the port handled 200,000 Chrysler cars, a big jump from its usual 65,000 to 85,000 as the manufacturer rushed to keep up with Ford and General Motors' foreign plants. The port also saw cars of almost every make pass through except GM, White said, including Hondas and Toyotas manufactured in the South but shipped to Baltimore thanks to its frequent trips to a number of foreign ports.

Detroit's Big Three automakers

New health care fram

By Andrew Cannara
Examiner Staff Writer

The national housing slump has affected homeowners of all ages,



Web site of *The Capital*

Friday, February 27, 2009

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Front Page



Local bankers say TARP efforts have fallen st

By KATIE ARCIERI, Staff Writer

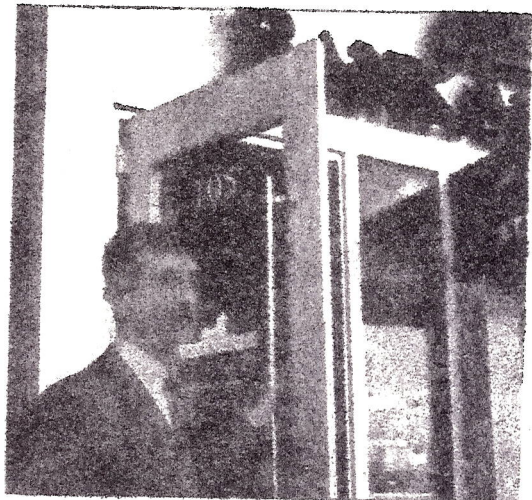
Published February 15, 2009

Last year, the federal government issued banks billions of dollars in hopes of stabilizing the credit markets.

But at least two local institutions that received money from the U.S. Treasury Department's Troubled Asset Relief Program said the effort hasn't worked.

Executives from the locally owned BankAnnapolis and Severn Savings Bank said they are unable to fully use the TARP money for lending because loan demand is so low.

Richard Lerner, chairman and chief executive officer of BankAnnapolis, which received \$8 million in federal



Colleen Dugan — The BankAnnapolis CEO Richard Lerner stands at entrance to the bank's new branch at Annapo Towne Centre in Parole.

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called the situation a Catch-22.

"I think there is a serious chicken-or-egg question that needs to be addressed," Lerner said. "Renewed lending follows the resurgence of economic activity and it doesn't create it."

Bank officials are having trouble with the widely criticized TARP program as the federal government rolls out even more initiatives to help lift the economy out of a recession.

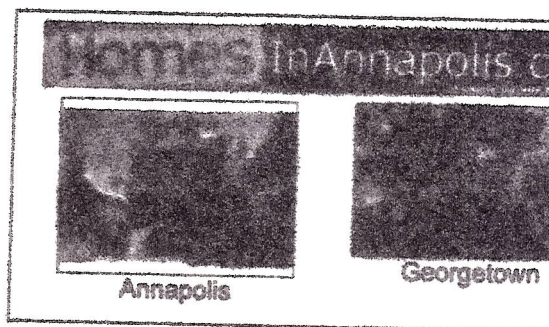
Last week, Congress passed a compromise version of the \$787 billion stimulus bill.

President Barack Obama is expected to sign the bill early this week. The stimulus package is intended to create millions of jobs, invest in infrastructure, boost unemployment benefits, aid state governments and provide a variety of tax breaks.

On Tuesday, the Treasury Department unveiled a new financial stability plan that could commit more than \$1 trillion in public and private support to help unfreeze credit markets and relieve banks of toxic assets such as mortgage-backed securities.

Lakshman Achuthan, managing director of the Economic Cycle Research Institute in New York, said the new bailout program is a response that "more needs to be done following TARP, which only addressed half of the nation's financial problems. While TARP kept the financial systems functioning, it didn't address loan demand in the private sector, he said.

"Most households are focusing a bit more on saving than borrowing," Achuthan said. "That is what your two banks are feeling. They are saying, 'I'm willing to lend



one is borrowing.' It's normal, because we are in a recession."

Under the TARP program rolled out as part of a \$700 billion economic stabil plan last year, the federal government purchased preferred stock in banks to them build capital and encourage lending. The initiative was quickly scrutiniz lawmakers and consumers alike.

Congressman John Sarbanes, D-Maryland, said in an interview that it was irr to move forward on the TARP program last year. But the challenge was passin measure with urgency while also providing sufficient oversight. He said lack c oversight led to TARP reform legislation that limited compensation for execu whose banks received assistance under the program.

"We can take a lesson that more transparency and more oversight is always h said Sarbanes, who voted in favor of the stimulus package. "I think (U.S. Trea Secretary Timothy) Geithner is in a position to insist on that now."

TARP problems

Banks are struggling with TARP for a variety of reasons that stem from the pe economy.

Alan Hyatt, chairman and chief executive officer for Severn Savings Bank, wh received \$23.5 million in TARP funds, said his bank would like to generate at \$150 million in loans from the funds. But demand is weak.

"The overall economy is in bad shape, people are afraid to buy," Hyatt said. " not buying houses, they are not buying shoes, they are not going to nice resta What we need in this economy is a boost of optimism."

Hyatt said both TARP and the government's new financial program do not ad problem of finding borrowers. "The public perception has to reach a point wh feeling is that real estate prices have more or less bottomed out," he said. "Un happens, I don't think people are going to buy."

Joseph Cater, president of Market-Economics in Annapolis, said poor loan de isn't the only reason banks are having problems with TARP. Consumers aren' meet stringent lending requirements, he said.

"If you don't have enough qualified borrowers, you're not going to have people purchasing homes," he said.

Dan Nataf, director of the Center for the Study of Local Issues at Anne Arundel Community College, said the rapid fall of the economy was not "widely anticipated" when TARP was first announced.

"You can only make the loans that someone wants," he said. "You can't force people to borrow money."

He said President Barack Obama's economic stimulus package could generate confidence in the economy, which should lead people to more loans. But consumer confidence is poor right now.

"It won't happen as long as people are seeing these job losses on the level that they're experiencing," he said.

And if poor loan demand continues, banks that participated in TARP may have to pay back dividends without making a profit, he said. Under TARP, bank shares purchased by the Treasury have a dividend rate of 5 percent per year. After five years, the dividend rates jump to a rate of 9 percent per year.

"It's like a double whammy," Nataf said.

Lending efforts

Fred Solomon, spokesman for PNC Financial Services Group, said the bank received its TARP funding at the end of the fourth quarter. Although it's too early to comment on the impact of loan demand just yet, the TARP funds increased PNC's capital liquidity position, he said.

"PNC is healthy, solvent and ready to meet the credit and banking needs of its customers," he said.

Nick Lambrow, president of M&T Bank's Chesapeake Region, said the bank received the TARP funding and plans to use it for normal operating expenses. He said the bank is still growing from a loan standpoint, making 11 percent more loans in the fourth quarter compared with that period a year ago.

"We've always positioned ourselves to be a consistent and productive lender in the marketplace," Lambrow said.

Lerner of BankAnnapolis said his bank can easily lend the \$8 million it received in TARP funds over a quarter or two. But the hope is to leverage those funds to provide anywhere from \$75 million to \$100 million in additional loans, he said. "That will have to depend on our ability to raise deposits," he said.

To boost lending, the bank is luring customers by reinstating its Superior Savings account last month with an introductory rate of 4.22 percent, he said.

After April 22, the annual yield adjusts to 2.25 percent, Lerner said. Lerner said that since customers have opened more than 500 new accounts in less than four weeks, the bank has achieved 185 percent of its goal in deposit dollars. BankAnnapolis has a business development staff trying to generate loans in the community, Lerner said.

"What stands in the way is this general perception that banks aren't lending," Lerner said. "We are."

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Baltimore Business Journal - January 22, 2009
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BALTIMORE BUSINESS JOURNAL

Thursday, January 22, 2009

Severn Bancorp posts first-ever quarterly loss

Baltimore Business Journal - by Rachel Sams Staff

Severn Bancorp reported the first quarterly loss in its history in 2008's fourth quarter as the bank set aside more money to cover potential loan losses amid the recession.

Annapolis-based Severn (NASDAQ: SVBI) lost \$230,000, or 4 cents per share, in the fourth quarter. A year earlier, the bank earned \$2.3 million, or 23 cents per share.

For the year, Severn earned \$4 million, or 39 cents per share. That was down more than 60 percent from 2007 earnings.

Severn CEO Alan Hyatt said in a news release that the bank was disappointed in the loss, but it could have been worse if the company hadn't steered clear of subprime mortgages.

"We feel strongly that increasing our loan loss reserve was the right thing to do, and remain optimistic about our future," Hyatt said.

Hiking the loan loss reserve means the bank will have more money on hand if loans go bad, but it also means taking a short-term hit to the bottom line.

Severn received \$24 million in capital from the U.S. Treasury Department under its Troubled Asset Relief Program (TARP), in which the government buys stock in banks. The bank also raised \$7 million from a private offering of stock.

Many observers have criticized banks for taking TARP money and not lending it out. Severn sought to combat that perception Thursday, saying the bank is "looking forward to putting our capital infusion to work making loans and helping to kick-start our local economy." The bank said it made more than \$150 million in loans in 2008.

Severn Bancorp has about \$980 million in assets and four branches in Anne Arundel County.

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

ANNAPOLIS, Md., Jan. 22 /PRNewswire-FirstCall/ -- Severn Bancorp, Inc. (Nasdaq: SVBI) the parent company of Severn Savings Bank, FSB and Hyatt Commercial, today announced earnings for the year and fourth quarter ended December 31, 2008.

Net loss for the fourth quarter was \$230 thousand, (unaudited), or \$(.04) per share, compared to net income of \$2.3 million (unaudited), or \$.23 per share for the fourth quarter of 2007.

Net income was \$4.1 million, or \$.39 per share for the year ended December 31, 2008, compared to net income of \$11.1 million, or \$1.10 per share for the year ended December 31, 2007.

"Our decision to increase our loan loss reserve has resulted in our first negative quarter in the history of the company. While we are disappointed by these short-term results, we are fortunate in that it could have been worse had we not avoided the pitfalls of originating sub-prime mortgages and investing in what has become significantly devalued mortgage backed securities and Freddie Mac or Fannie Mae stock. Severn, along with the entire financial services industry, is experiencing the effects of a steep downturn in the mortgage market and overall economic turmoil," said Alan J. Hyatt, President and Chief Executive Officer. "We feel strongly that increasing our loan loss reserve was the right thing to do, and remain optimistic about our future. During the fourth quarter we did successfully complete our private placement offering of preferred stock and subordinated notes, and successfully completed a sale of preferred stock to the US Department of Treasury as part of its TARP Capital Purchase Program. These transactions have enabled us to maintain a strong capital position. We are optimistic about all of the opportunities for growth, and we are looking forward to putting our capital infusion to work making loans and helping to kick-start our local economy. Severn continues to originate new loans and had over \$150 million in loan originations in 2008."

With approximately \$980 million in assets, Severn Savings Bank, FSB is a full service community bank offering a wide range of personal and commercial deposit products, as well as residential and commercial mortgage lending in Anne Arundel County and, to a lesser extent, in other parts of Maryland, Delaware and Northern Virginia. The Bank has four branch locations, at 200 Westgate Circle and 1917 West Street in Annapolis, 413 Crain Highway in Glen Burnie and 3083 Solomon's Island Road in Edgewater. Severn's website is www.severnbank.com.

For additional information or questions, please contact Thomas G. Bevivino, or S. Scott Kirkley, Executive Vice Presidents, Severn Bancorp, Inc., 200 Westgate Circle, Suite 200, Annapolis, Maryland 21401, 410.260.2000, e-mail: tbevivino@severnbank.com or skirkley@severnbank.com.

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 allowance; the effect of changes in interest rates; and statements about the economy. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "will," "would," "could," "should," "guidance," "potential," "continues," "project," "forecast," "confident," and similar expressions are typically used to identify forward-looking statements. The Company'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 Company's general market area, federal and state regulation, competition and other factors detailed from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"), including "Item 1A. Risk Factors" contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

SOURCE Severn Bancorp, Inc.

Baltimore Business Journal - January 22, 2009
<http://www.bizjournals.com/triangle/othercities/baltimore/stories/2009/01/19/daily47.html>

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Thursday, January 22, 2009, 2:21pm EST

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Baltimore Business Journal - by Rachel Sams Staff

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Severn CEO Alan Hyatt said in a news release that the bank was disappointed in the loss, but it could have been worse if the company hadn't steered clear of subprime mortgages.

"We feel strongly that increasing our loan loss reserve was the right thing to do, and remain optimistic about our future," Hyatt said.

Hiking the loan loss reserve means the bank will have more money on hand if loans go bad, but it also means taking a short-term hit to the bottom line.

Severn received \$24 million in capital from the **U.S. Treasury Department** under its Troubled Asset Relief Program (TARP), in which the government buys stock in banks. The bank also raised \$7 million from a private offering of stock.

Many observers have criticized banks for taking TARP money and not lending it out. Severn sought to combat that perception Thursday, saying the bank is "looking forward to putting our capital infusion to work making loans and helping to kick-start our local economy." The bank said it made more than \$150 million in loans in 2008.

Severn Bancorp has about \$980 million in assets and four branches in Anne Arundel County.

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Three banks based in Maryland look to Treasury for capital

Provident, Sandy Spring, Severn get infusions under new federal program

by Kevin James Shay | Staff Writer

Executives with three banks headquartered in Maryland said last month they plan to cash in on the new federal bank investment program.

Under the Treasury Department's capital purchase program, Provident Bankshares, the Baltimore parent of Provident Bank, obtained a \$151 million investment, chairman and CEO Gary N. Geisel said. Severn Bancorp, the Annapolis parent of Severn Savings Bank, has been approved to receive \$23.5 million, officials said.

And on Nov. 20, Sandy Spring Bancorp of Olney, parent of Sandy Spring Bank, said it received preliminary approval to sell up to \$83 million in senior preferred stock.

In addition, Susquehanna Bancshares, the Lititz, Pa., parent of Susquehanna Bank, will receive \$300 million through the program, executives said last week. Susquehanna is the 10th-largest bank in Maryland deposits, according to the Federal Deposit Insurance Corp.

Other banks that have accepted federal investments include Bank of America of Charlotte, N.C., and PNC Financial Services Group of Pittsburgh, the largest and second-largest banks in Maryland in deposits. Bank of America is getting \$15 billion, according to a Treasury report. PNC executives have said the bank plans to obtain \$7.7 billion.

Citigroup of New York, the 12th-largest bank in Maryland deposits, and Wells Fargo & Co. of San Francisco, which has agreed to purchase Wachovia Corp., the fourth largest bank in Maryland deposits, are each receiving \$25 billion, according to the Treasury report.

The capital purchase program offers banks the opportunity to issue and sell preferred stock, as the government purchases shares. The idea is to provide additional capital to healthy, well-managed financial institutions, Geisel said in a statement.

"This investment will further strengthen our capital position, increase our ability to finance attractive lending opportunities and enable Provident to provide additional support for economic growth in our local markets," Geisel said.

For Severn, the infusion will increase the bank's regulatory capital from about \$100 million to \$130 million, chairman and CEO Alan J. Hyatt said in a statement. "While we are already a well capitalized institution, this infusion of low-cost capital....will further strengthen our ability to continue our long-standing tradition of lending in our community," Hyatt said.

"We are pleased to participate in this program which has been intentionally designed to stabilize our financial markets and provide an additional margin of strength to those institutions that are best positioned to weather the current economic climate," said Hunter R. Hollar, chairman and CEO of Sandy Spring.

makers, including U.S. Rep. Barney Frank (D-Mass.), chairman of the House Financial Committee, have criticized certain banks for using the federal investments for non-lending such as acquisitions and paying dividends to shareholders. In testimony before Frank's last month, Federal Reserve Chairman Ben Bernanke said the initial \$125 billion capital nine large institutions, including Bank of America, Citigroup and Wells Fargo, was part of that helped "stabilize the situation" and improve investor confidence.

ng capital injections ... are continuing to bring stability to the banking system and have ne of the pressure on banks to deleverage, two critical first steps toward restarting flows of " Bernanke said, according to a transcript from the Federal Reserve.

pected to "conduct regular reviews of their management compensation policies to ensure courage prudent lending and discourage excessive risk-taking," Bernanke said.

howed a net loss of \$5.4 million in the third quarter, compared with earnings of \$16 million a vern reported net income of almost \$600,000 in the third quarter, down from \$2.4 million ame period a year ago.

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