UNITED STATES
FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

Or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

FDIC Certificate Number: **57777**

(Exact name of registrant as specified in its charter)

Pennsylvania	**32-0116054**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9 Old Lincoln Highway, Malvern, Pennsylvania 19335
(Address of principal executive offices) (Zip Code)

(484) 568-5000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Name of Each Exchange on Which Registered	Title of Each Class
The NASDAQ Stock Market, LLC	Common Stock (1.00 par value)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐Yes ☒No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐Yes ☒No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☐Yes ☒No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). ☐Yes ☒No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☒	Emerging growth company ☒	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐Yes ☒No

The approximate aggregate market value of voting stock held by non-affiliates of the registrant is $50,039,361 as of June 30, 2017 based on the book value of the registrant’s common stock of $15.81 per share. As of June 30, 2017, the registrant’s common stock was neither quoted nor listed on any exchange.

As of March 31, 2018 there were 6,392,287 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement, to be filed with the Federal Deposit Insurance Corporation no later than 120 days after December 31, 2017 in connection with the 2018 Annual Meeting of Stockholders, are incorporated by reference into Part III of this Annual Report on Form 10-K.

MERIDIAN BANK
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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PART I

Item 1. Business

Cautionary Statement Regarding Forward-Looking Statements

Meridian Bank ("Meridian," or the "Bank") may from time to time make written or oral "forward-looking statements," including statements contained in the Bank's filings with the FDIC (including this Annual Report on Form 10-K and the exhibits thereto), in its reports to stockholders and in other communications by the Bank, which are made in good faith by the Bank pursuant to the "safe harbor" provisions of Section 21E of the Securities Exchange Act of 1934, as amended (referred to as the "Exchange Act").

These forward-looking statements involve risks and uncertainties, such as statements of the Bank's plans, objectives, expectations, estimates and intentions that are subject to change based on various important factors (some of which are beyond the Bank's control). The following factors, among others, could cause the Bank's financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in which the Bank conducts operations; the effects of, and changes in monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), inflation, interest rate, market and monetary fluctuations; market volatility; the value of our products and services as perceived by actual and prospective customers, including the features, pricing and quality compared to competitors' products and services; loss of management and key personnel; failure of our controls and procedures; inability to close loans in our pipeline; operational risks, including the risk of fraud by employees, customers or outsiders; our borrowers' ability to repay their loans; changes in the real estate market that can affect real estate that serves as collateral for some of our loans; the adequacy of our allowance for loan losses and our methodology for determining such allowance; the willingness of customers to substitute competitors' products and services for the Bank's products and services; the impact of changes in applicable laws and regulations; changes in technology or interruptions and breaches in security of our information systems; the impact of any acquisitions; changes in consumer spending and saving habits; and the success of the Bank at managing the risks involved in the foregoing.

The Bank cautions that the foregoing list of important factors is not exclusive. The Bank does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Bank, except as required by applicable law or regulation.

Throughout this document, references to "we," "us," or "our" refer to the Bank and its consolidated subsidiaries.

Overview

Meridian Bank is a full-service, state-chartered commercial bank with offices in the greater Philadelphia metropolitan market. We service small and middle market businesses throughout our market area. We promote electronic banking, minimizing branch visits and reduce people and paper costs. We have a modern, progressive consultative approach to creating innovative solutions. We provide a high degree of service, convenience and products our customers need to achieve their financial objectives, through commercial and commercial real estate, cash management and merchant solutions, homeowner mortgages and trusted advice regarding financial planning and management of wealth. We provide this service through three principal business line unit distribution channels.

Corporate Structure and Business Line Units

The Bank is the parent to three wholly-owned subsidiaries: Meridian Land Settlement Services, which provides title insurance services; Apex Realty, a real estate holding company; and Meridian Wealth Partners, LLC, a registered investment advisory firm, which we refer to as Meridian Wealth. With these subsidiaries, the Bank is organized into the following three lines of business.

Commercial Banking

The first line of business is our traditional banking operations, serving both commercial and consumer customers via deposits and cash management, commercial and industrial lending, commercial real estate lending, shared national credit participations, consumer and home equity lending, merchant services, and title and land settlement services.

Typical borrowers include:

- Commercial clients operating in manufacturing, industry and retail markets
- Commercial real estate clients focused on investment properties, land development for both commercial and residential construction
- Consumer and commercial depositors
- Consumers seeking home equity finance options
- Shared national credit participations/syndications ("SNCs")

Our commercial and industrial lending department supports our small business and middle market borrowers with a comprehensive selection of loan products including financing solutions for wholesalers, manufacturers, distributors, service providers, importers and exporters, among others. Our portfolio includes business lines of credit, term loans, small business lending ("SBA"), lease financing and SNCs.

Our alliances with local economic development councils provide SBA and other financing options to help grow local businesses, create and retain jobs and stimulate our local economy. In addition, Meridian understands that connections with the local professional industries benefit the Bank, not only with these individuals as customers or investors, but also given the proven potential for business referrals.

We have a strong credit culture that promotes diversity of lending products with a focus on commercial businesses. We have no particular credit concentration. Our commercial loans have been proactively managed in an effort to achieve a balanced portfolio with no unusual exposure to one industry.

The extensive backgrounds of our commercial real estate lending team, not only in banking, but also directly in the builder/developer fields, bring a unique perspective and ability to communicate and consider all elements of a project and related risk from the clients' viewpoint as well as ours. The commercial real estate portfolio consists of permanent/amortizing loans, owner-occupied commercial real estate loans and land development and construction loans for residential and commercial projects. Our approach is to apply disciplined and integrated standards to underwriting, credit and portfolio management.

Mortgage Banking

The second line of business is mortgage banking, a division of the Bank in which our mortgage consultants guide our clients through the complex process of obtaining a loan to meet individual specific needs. Originations consist of for-sale mortgage lending, loans to be held within our portfolio, and wholesale mortgage lending services. Clients include homeowners and smaller scale investors. The Bank's mortgage division operates and originates approximately 90% of its mortgage loans in the Pennsylvania, New Jersey and Delaware markets, most typically for 1-4 family dwellings, with the intention of the Bank to principally sell substantially all of these loans in the secondary market to qualified investors. Mortgages are originated through sales and marketing initiatives, as well as realtor, builder, bank, advertising and customer referral resources. The Bank utilizes a web-based loan origination system for origination, secondary pricing/lock-in, processing, closing, post-closing and government reporting. The division's main origination, processing, underwriting, closing and post-closing functions are performed at the Plymouth Meeting mortgage headquarters with 14 other production/processing offices.

Wealth Management and Advisory Services

Meridian Wealth, a registered investment advisor and wholly-owned subsidiary of the Bank, provides a comprehensive array of wealth management services and products and the trusted guidance to help its clients and our banking customers prepare for the future. Such clients include professionals, higher net worth individuals, companies seeking to provide benefits plans for their employees, and more. Acquiring and sustaining wealth is a gradual progression, one that requires a considerable amount of thought and planning. Our process takes a comprehensive approach to financial planning and encompasses all aspects of retirement, with an emphasis on sustainability.

Meridian Wealth acquired HJ Wealth Management, LLC ("HJ Wealth") in April 2017. This newly combined group brings together the experience of Meridian's own advisors, with their direct access to banking products and services and the breadth and long experience of HJ Wealth's management and staff. Their proprietary analytical system, the Progression of Wealth®, provides a discipline that connects the management of wealth to meaningful personal goals.

Following this acquisition, Meridian Wealth offers a significant enhancement to both our capacity and the variety of tools we can use to help bring effective financial planning and wealth management services to a broad segment of customers. It also enhances the opportunity for future organic growth and other possible acquisitions in these increasingly important services to offer our customers.

Our Strategic Plan

Our core strategy has not changed since we began the Bank in 2004. We have always believed that a sales oriented, scalable bank in our market area, without a high cost, inefficient legacy branch network, could grow and generate attractive returns for shareholders. We intend to leverage our talent, focus on continued organic growth and pursue opportunistic acquisitions, like our recent wealth company purchase, to diversify our revenue streams.

Market opportunities. We have a deep understanding of our customers and the communities that we serve. Given the market opportunity for a commercial bank of our size, and recent exits of banks under $1 billion in assets, we continue to see significant opportunities for Meridian to gain market share in the Philadelphia metropolitan area.

Focus on organic growth. We intend to continue to grow our business organically in a focused and strategic manner. We believe that our overall capabilities, culture and opportunities for career growth will allow us to continue to attract talented new commercial and retail bankers to our business and enable our existing banking teams to drive loan growth. We also believe our bankers have further capacity to penetrate the markets and communities they serve as the brand awareness of Meridian Bank continues to grow.

Consider opportunistic acquisitions. Management routinely evaluates potential acquisition opportunities that we believe could enhance our organization either by providing profitable portfolios or through offering synergistic services. In addition, we believe that there will be further bank consolidation in the Philadelphia metropolitan area and that we are well positioned to be a preferred partner for smaller institutions.

Strategic Objectives.

Management has also set four strategic objectives designed to help us achieve maximum shareholder value, grow our Meridian brand and manage risk.

Meet the needs of our clients through synergistic products and services. As a full-service community bank, Meridian offers products to meet our retail and commercial customer's needs through each of our principal business line distribution channels. Our primary focus is to serve small and middle-market businesses and their executives, entrepreneurs, real estate investors, professionals and high net worth individuals by offering a variety of financial services and solutions. We prefer to provide choices to reach the best solution. As an early adopter of check scanning technology, we aim to provide advanced electronic alternatives as well as in-person choices to our clients.

Strengthen our deposit franchise. Our deposit growth efforts rely on relationship-based management goals from the lending teams, as well as community-focused goals from business development officers and retail initiatives. We believe that continuing to build a strong core deposit base will also allow us to continue to achieve strategic growth in the future with less risk to interest rate volatility. Specifically, we will strive to:

- increase our market penetration by adding new business development officers;
- offer online account opening with best in class customer experience;
- optimize funding strategies; and
- access new markets.

Optimize revenue diversification. In an effort to reduce the exposure to any one particular asset type, revenue stream or risk, particularly in a rising rate environment where margins may tighten, building non-interest income is key. To optimize revenue diversification, management intends to further diversify its loan portfolio, and continue to build on ancillary services such as wealth management, title, and electronic payments.

Grow the Meridian brand. As we have grown, Meridian has worked to strengthen its brand in our market area. Through consistent advertising, branch and office expansion, business development activities and community involvement, the Bank has shared the Meridian story and elevated its brand awareness. We intend to continue to:

- attract top talent and promote lender friendly bank;
- identify markets / locations for growth;
- increase market presence through various non-branch channels; and
- enhance and upgrade our already well-integrated technology.

Our Competitive Strengths

Executive Leadership. Our seasoned executive management team has extensive local knowledge of the banking industry. Drawing on their experience and deep ties to the community, our management team has grown the Bank from its de novo beginnings to $856 million in assets at December 31, 2017. Under their leadership, we have successfully grown through the recession, expanded our mortgage and wealth management divisions and migrated through regulatory reform. The executive leadership and senior management teams' success in executing strategic initiatives has been accomplished via the long term recruitment of highly experienced officers with successful track records to pursue relationship-based banking. The team brings an entrepreneurial approach to the otherwise typically traditional banking field.

Corporate Culuture and Core Values. While other banks try to create culture by framing ideals to promote, we have defined our core values by the culture that sets the cornerstone of our formation:

- *Our Partners: we are more than bankers, we are business partners*
- *Our People: Amazing people – amazing place to work*
- *Our Bank: Passion for continuous development drives our future*
- *Our Communities – our privilege to help strengthen and grow our communities*

These values are consistent with our belief that it is important to invest in our people, our customers and our communities. We believe these investments will enable us to attract and retain talent that fits our team concept and culture. We believe that our culture and the quality of our people have been catalysts of our success and will continue to propel our future success.

Business model - technology driven. Management's strategic growth plan for the Bank incorporates significant use of alternative delivery channels, such as remote deposit capture, mobile banking and bank-to-bank ACH. These customer driven services and products allow Meridian to minimize the number of branch locations as well as its branch staffing, to achieve a low-cost, efficient branch structure. Because of this structure, branch offices are equipped with state-of-the-art technology, including a teller cash recycler ("TCR") for quick and easy transactions and a conversation area to demonstrate mobile and online banking on tablet and a touch screen computer. With these tools, the customer is educated and encouraged to use our electronic banking channels.

Asset generating – "Lender Friendly". Meridian has built its loan customer base from vigorous and consistent outreach by customer-facing personnel to businesses and centers of influence in our region. We have over 30 lending officers, half with over 20 years of credit lending in this community. It is our strategic goal to reach businesses and centers of influence in the region by placing one full service branch in and around the counties surrounding Philadelphia while also supporting those branches with loan production offices. In total, the Bank has 23 offices. These loan production offices primarily facilitate growth in mortgage banking outside of Meridian's traditional branch footprint.

Loan Portfolio and Diversification. Our loan offerings are designed to provide a broad range of lending tools to meet the immediate and long term financing needs of our clients. We leverage the knowledge and expertise of our relationship managers and loan officers in a consultative approach. For business and commercial real estate loans, we focus on entrepreneurs, small businesses, and middle-market level companies in our market area. Consumer, retail and mortgage lending customers can be both within and outside of our traditional branch footprint based upon the broader locations of our lending production offices. Since inception, we have focused on building diversification to create a balanced level of commercial and industrial loans, commercial real estate loans and consumer loans.

Our Competition

The primary service area, and all of the Delaware Valley, has undergone a major change in the banking structure over the past ten years. The merger activity that has occurred since the recession began was significant to financial institutions in terms of retail deposits and small business services. The mergers caused turmoil for many customers, and created extraordinary opportunities for other banks to seize deposit and loan market share. The more recent purchases of larger regional banks have created a similar environment in our market area. When these banks consolidated, customers were affected by new fee structures, branch closings and centralized services that were, in many cases, moved several hundred miles away, causing them to seek new locally-based institutions to satisfy their banking needs.

Overall, the banking business is highly competitive. Meridian Bank faces substantial competition both in attracting deposits and in originating loans. Meridian Bank will compete with local, regional and national commercial banks, savings banks, and savings and loan associations. Other competitors include money market mutual funds, mortgage bankers, insurance companies, stock brokerage firms, regulated small loan companies, credit unions, and issuers of commercial paper and other securities.

Meridian Bank seeks to compete for business principally on the basis of high quality, personal service to customers, customer access to our decision-makers, and electronic delivery channels while providing an attractive banking platform and competitive interest rates and fees.

Our Initial Public Offering

Our initial public offering closed on November 7, 2017 and a total of 2,352,941 shares of common stock were sold at $17.00 per share. We received gross proceeds of $40.0 million for the shares of common stock sold by us in the offering. Following completion of the initial public offering, the Bank became a publicly traded bank with our common stock listed on The NASDAQ Global Select Market under the symbol “MRBK”. On November 10, 2017 the underwriters associated with the initial public offering exercised their option to purchase additional shares of common stock. The Bank received additional gross proceeds of $6.0 million for the 352,941 shares of common stock sold from the exercise of the underwriters’ option. The total aggregate underwriting discount was $3,105,000.

Recent Developments

Following our initial public offering, the Bank used the net proceeds to repurchase all 12,845 outstanding shares, with a liquidation preference $1,000, of our Series 2009A Preferred Stock, Series 2009B Preferred Stock, and Series 2009C Preferred Stock. Total redemption cost was approximately $12.9 million, which included $96 thousand of accrued dividends.

Our Current Capital Stock Structure

As of December 31, 2017 the Bank had 6,392,287 shares of common stock issued and outstanding. Also outstanding were stock options that are exercisable for 129,530 shares of common stock at a weighted average exercise price of $13.77, and 82,385 of unvested stock option awards outstanding with a weighted average exercise price of $14.99.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenues during our last fiscal year, we qualify as an “emerging growth company” as defined by the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”). An emerging growth company may take advantage of reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company,

- we may present only two years of audited financial statements and only two years of related management discussion and analysis of financial condition and results of operations;
- we are exempt from the requirement to obtain an audit of our internal control over financial reporting under the Sarbanes-Oxley Act of 2002;

- we are permitted to provide less extensive disclosure about our executive compensation arrangements; and
- we are not required to give our shareholders non-binding advisory votes on executive compensation or golden parachute arrangements.

We have elected to take advantage of the scaled disclosure requirements and other relief described above and may take advantage of these exemptions for so long as we remain an emerging growth company. We will remain an emerging growth company until the earliest of (i) the end of the fiscal year during which we have total annual gross revenues of $1,070,000,000 or more, (ii) the end of the fiscal year following the fifth anniversary of the completion of this offering, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt and (iv) the end of the fiscal year in which the market value of our equity securities that are held by non-affiliates exceeds $700 million as of June 30 of that year.

In addition to scaled disclosure and the other relief described above, the JOBS Act permits us an extended transition period for complying with new or revised accounting standards affecting public companies. We have elected to take advantage of this extended transition period, which means that the financial statements included herein, as well as any financial statements that we file in the future, will not be subject to all new or revised accounting standards generally applicable to public companies for the transition period for so long as we remain an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period under the JOBS Act. If we do so, we will prominently disclose this decision in the first periodic report following our decision, and such decision is irrevocable.

Lending Activities

Loan Portfolio. Our loan offerings are designed to provide a broad range of lending tools to meet the immediate and long term financing needs of our clients. We leverage the knowledge and expertise of our relationship managers and loan officers in a consultative approach. For business and commercial real estate loans, we focus on entrepreneurs, small businesses, and middle-market level companies in our market area. Consumer, retail and mortgage lending customers can be both within and outside of our traditional branch footprint based upon the broader locations of our loan production offices. Since inception, we have focused on building diversification to create a balanced level of commercial and industrial loans, commercial real estate loans and consumer loans. Our portfolio covers 15 primary industry groups with no single industry accounting for more than 15% of the portfolio. At December 31, 2017, the commercial loan portfolio consisted of 1,326 loans with an average size of approximately $438,000.

The chart below shows the diversification of our commercial loan portfolio at December 31, 2017.

Industry Concentration	**Current Balance***	**Percent of Total**
Commercial Real Estate Investment	$51.8	8.93%
Construction Related	$33.0	5.69%
CPAs and Attorneys	$8.5	1.46%
Finance, Insurance and Real Estate Services	$23.5	4.04%
Health Care and Social Assistance	$17.5	3.01%
Leisure	$16.9	2.92%
Manufacturing	$48.8	8.42%
Scientific and Technical Services	$40.6	6.99%
Residential and Commercial Construction	$101.4	17.47%
Residential Real Estate Investment	$80.6	13.90%
Retail Trade	$22.1	3.81%
Shared National Credits	$46.9	8.08%
Trade/Wholesale Distributions	$36.6	6.31%
Admin and Support	$18.1	3.13%
Other	$33.9	5.84%
Total	**$580.2**	**100.00%**

*balance in millions

Commercial and Industrial Lending

Our commercial and industrial lending department supports our small business and middle market borrowers with a comprehensive selection of loan products including financing solutions for wholesalers, manufacturers, distributors, service providers, importers, exporters, among others. Our portfolio includes business lines of credit, term loans, SBA lending, lease financing and SNCs.

Our alliances with local economic development councils provide SBA and other financing options to help grow local businesses, create and retain jobs and stimulate our local economy. In addition, Meridian understands that connections with the local professional industries benefit the Bank, not only with these individuals as customers or investors, but also given the proven potential for business referrals.

We have a strong credit culture that promotes diversity of lending products with a focus on commercial businesses. We have no particular credit concentration. Our commercial loans have been proactively managed in an effort to achieve a balanced portfolio with no unusual exposure to one industry.

Commercial Real Estate Lending

The extensive backgrounds of our team, not only in banking, but also directly in the builder/developer fields, bring a unique perspective and ability to communicate and consider all elements of a project and related risk from the clients' and our viewpoint. The commercial real estate portfolio consists of permanent/amortizing loans, owner-occupied commercial real estate loans and land development and construction loans for residential and commercial projects. Our approach is to apply disciplined and integrated standards to underwriting, credit and portfolio management.

The following summarizes our product offerings:

Construction Loans

- Residential construction loans to finance new construction and renovation of single and 1-4 family homes located within our market area
- Commercial construction loans for investment properties, generally with semi-permanent attributes
- Construction loans for new, expanded or renovated operations for our owner occupied business clients

Permanent – Investor Real Estate Loans

- Purchase and refinance loan opportunities for a number of product types, including single-family rentals, multi-family residential as well as tenanted income producing properties in a variety of real estate types, including office, retail, industrial, and flex space

Land Development Loans

- Meridian considers a limited number of strictly land development oriented loans based upon the risk, merit of the future project and strength of the borrower/guarantor relationship

CRE Concentration

We monitor and track set targets for CRE concentration limits as a percentage of total capital in accordance with interagency guidelines.

The federal regulators have issued the CRE Concentration Guidance on sound risk management practices with respect to a financial institution's concentrations in commercial real estate lending activities. This guidance was designed to promote appropriate levels of capital and sound loan and risk management practices for institutions with a

concentration of CRE loans. In general, it establishes the following supervisory criteria as preliminary indications of possible CRE concentration risk: (1) total commercial real estate loans represent 300% or more of its total capital and (2) the outstanding balance of such institution's commercial real estate loan portfolio has increased by 50% or more during the prior 36 months.

Our exposure in the 100% bucket – (with respect to total construction, land development and other land loans) compared to total capital quarterly was 88% and 75% at December 31, 2017 and December 31, 2016, respectively. Our exposure in the 300% bucket – (with respect to total commercial real estate loans) compared to total capital quarterly was 156% and 149% at December 31, 2017 and December 31, 2016, respectively.

Consumer and Personal Loans

Our consumer-lending department principally originates home mortgage and home equity based products for our clients and prospects. These loans typically fund completely at closing. Additional products include smaller dollar personal loans and our newly introduced student loan refinance product, designed to provide additional flexibility in repayment terms desired in the marketplace. Our consumer credit products include home equity lines and loans, residential mortgage loans held in portfolio, personal lines and loans, and student loan refinancing.

Mortgage Lending

Meridian engages in the origination of residential mortgages, most typically for 1-4 family dwellings, with the intention to sell substantially all of these loans in the secondary market to qualified investors. In this highly competitive market, our wide variety of mortgage loan choices include an array of diverse loans offered by approved investors, government agencies, and to a limited extent loans originated to be held in our own portfolio.

Our loan pipeline is fed via our mortgage loan production offices ("LPOs") and the individual loan officers' contact and relationships with, for example, sales brokers and agents who actively refer clients to Meridian. We serve a larger geography surrounding the Philadelphia area based upon where our lending teams are located and those surrounding communities. The core members of the mortgage team have been together for many years.

Credit and Related Lending Policies

Meridian prides itself on our credit strength and asset quality. We have well-developed policies, procedures and processes which effectively communicate our credit risk appetite to all lending personnel. Our internal Credit Committee meets on a weekly basis to review various credit quality reporting as well as to review proposed, new, renewal or amended credits. Via the Credit Policy and related lending policies, consistently applied underwriting standards are followed within each independent lending group, such as C&I, CRE, Consumer and Mortgage. We believe that inadequate asset/credit quality is one of the largest risks to which any commercial bank is exposed, and as such, we work tirelessly to ensure standards are met from inception of the loan through its final payoff.

Lending authorities are structured such that two signatures are required for all loan approvals. Our board-approved lending matrix indicates each loan officer's approval authority level and defines the signature level, internal Credit Committee, Loan Committee and board approval thresholds. Joint signature approvals may be executed for exposures up to $4 million. However, the majority of approvals up to $4 million take place within our internal Credit Committee, which is comprised of executive and senior management and other experienced lending personnel. Exposures up to $6 million may be approved by our Loan Committee, which is comprised of members of executive management and directors, including our Chief Executive Officer, Chief Lending Officer, Chief Credit Officer, and four outside directors. For exposures in excess of $6 million, approval by the full board of directors is required. We believe our model provides for strong oversight regarding new or amended borrowing relationships but also allows for the speed and flexibility which our customers demand in this competitive environment.

Loan concentrations are monitored on a monthly basis for C&I credits by considering the individual borrower's business type as identified by their NAICS codes. For commercial real estate, we have extremely detailed reporting for land, construction, permanent loan and, in particular, speculative construction buckets. Various reports are

reviewed at the internal Credit Committee level and elevated to the Loan Committee and board level, as appropriate, for review, including, but not limited to, details regarding loans to one borrower, participations, concentrations, policy exceptions, past dues, non-accruals, among other reports.

Credit administration requires our lending personnel to work together during the entire life cycle of a loan or customer relationship. We facilitate this effectively via appropriate senior management support and oversight of the lending staff whereby problems may be identified early, inviting the likelihood of a successful resolution. Communication is critical to this success and our open door practices and encouragement of disclosure of potential problems, in particular at the weekly internal Credit Committee, has served us well.

Investments

As of December 31, 2017, the fair value of our investment portfolio totaled $52.8 million, with an effective tax equivalent yield of 2.41% and an estimated duration of approximately 3.76 years. The primary objectives of the investment portfolio are to generate economic value, provide liquidity in accordance with the liquidity regulations and to be responsive to cash needs and assist in managing interest rate risk. The majority of our investment portfolio, or 55.5%, consists of residential mortgage-backed securities and 39.7% in municipal securities. The remainder of our securities portfolio is invested in corporate bonds, asset backed securities, trust preferred securities and other securities. We regularly evaluate the composition of our investment portfolio as the interest rate yield curve changes and may sell investment securities from time to time to adjust our exposure to interest rates or to provide liquidity to meet loan demand.

Market Area

Locations. Meridian Bank is headquartered in Malvern and has six full-service branches. Its main branch, in Paoli, serves the Main Line. The West Chester and Media branches serve Chester and Delaware counties, respectively, while the Doylestown and Blue Bell branches serve Bucks and Montgomery counties. Our sixth branch recently opened in Philadelphia in late 2017. These branches will provide new "Relationship Hubs" for our regional lending groups and allow Meridian to proceed in its plan for serving markets in each of the central (at or near the county seat) townships of the counties in and surrounding Philadelphia. In addition to our deposit taking branches, there are currently 16 other locations, including commercial loan production offices and headquarters for Corporate, the Wealth Division and the Mortgage Division. Other than our corporate headquarters, all of our offices are leased.

Branch locations:

Paoli Branch - 1776 Lancaster Avenue, Paoli, PA 19301

West Chester Branch - 16 W. Market Street, West Chester, PA 19382

Media Branch - 100 E. State Street, Media, PA 19063

Doylestown Branch - 19A S. Easton Road, Doylestown, PA 18901

Blue Bell Branch - 653 Skippack Pike, Ste. 116, Blue Bell, PA 19422

Philadelphia Branch - 1760 Market Street, Philadelphia, PA 19103

Other offices:

Corporate Headquarters – 9 Old Lincoln Highway, Malvern, PA 19355

Mortgage Headquarters – 653 Skippack Pike, Suite 200, Blue Bell, PA 19462

Meridian Wealth Offices – 653 Skippack Pike, Suite 200, Blue Bell, PA 19462

Mortgage Loan Production Office – 1601 Concord Pike, Suite 45, Wilmington, DE 19803

Mortgage Loan Production Office – 5301 Limestone Road, Suite 202, Wilmington, DE 19801

Mortgage Loan Production Office – 22128 Sussex Highway, Seaford, DE 19973

Mortgage Loan Production Office – 111 Continental Drive, Suite 406, Newark, DE 19713

Mortgage Loan Production Office – 1215 Manor Drive, Mechanicsburg, PA 17055

Mortgage Loan Production Office – 350 Highland Drive, Suite 160, Mountville, PA 17554

Mortgage Loan Production Office – 1000 Crawford Place, Mt. Laurel, NJ 08054

Mortgage Loan Production Office – 2330 New Road, Northfield, NJ 08225

Mortgage Loan Production Office – One Neshaminy Interplex, Trevose, PA 19053

Mortgage Loan Production Office – 1909 Veterans Highway, Levittown, PA 19056

Mortgage Loan Production Office – 711 Spring Street, Wyomissing, PA 19610

Mortgage Loan Production Office – 347 2nd Street, Suite 4, Southampton, PA 18966

Mortgage Loan Production Office – 1221 College Park Drive, Suite 118, Dover, DE 19904

Commercial Loan Office – 20 Commerce Drive, Wyomissing, PA 19610

Demographics. Demographic information for the five county Philadelphia metropolitan area shows our primary market to be stable, with moderate population growth. According to the 2011-2015 American Community Survey 5-Year Estimates, approximately 25% of the population is between the ages of 25-44. The median home value, outside of Philadelphia, is $289,900 according to the 2017 Nielsen Financial CLOUT Demand. Median incomes for Chester, Montgomery and Bucks counties are in the top 70 wealthiest counties in the nation according to the 2011-2015 American Community Survey 5-Year Estimates.

Regulatory Environment

As a state-chartered bank, Meridian's regulators providing oversight are the FDIC and the Pennsylvania Department of Banking and Securities ("PDBS"). In order to adhere to regulatory expectations on an ongoing basis and to successfully prepare for the normal examination processes, Meridian maintains numerous internal controls including policies and programs appropriate to maintain the Bank's safety and soundness, under such key areas as lending, compliance, BSA-AML, information security, human resources, deposit and cash management products, enterprise risk, merchant services, finance, title services, branch security and wealth management.

Our Compliance Management System ("CMS") Program, in particular, is a risk-based, dynamic program managed by our Senior Compliance Officer and designed with our full range of products and services in mind, with a focus on consumer protection given our mortgage lending division and potentially heightened risks that such an area could encounter. The CMS Program is integrated into the overall framework of the Bank assists with the design, delivery and administration of the products and services offered by Meridian Bank with full participation in the program from all departments via our Compliance Committee, which meets on a periodic basis.

Loan concentrations are monitored on a monthly basis, for C&I credits by considering the individual borrower's business type as identified by their NAICS codes. For commercial real estate, we have detailed reporting for land, construction, permanent loan and, in particular, speculative construction portfolios. Reports are reviewed at the Internal Loan Committee level and elevated to the Loan Committee and board level, as appropriate, for review, including, but not limited to, details regarding loans to one borrower, participations, concentrations, policy exceptions, past dues, non-accruals, among other reports.

Lending authorities are structured such that two signatures are required for all loan approvals. Our board-approved lending matrix indicates each loan officer's approval authority level and defines the signature level, Internal Loan Committee, Loan Committee and board approval thresholds. We believe our model provides for strong oversight regarding new or amended borrowing relationships but also allows for the speed and flexibility, which our customers demand in this competitive environment.

Credit Administration requires our lending personnel to work together during the entire life cycle of a loan or customer relationship. We facilitate this effectively via appropriate senior management support and oversight of the lending

staff whereby problems may be identified early inviting the likelihood of a successful resolution. Communication is critical to this success and our open door practices and encouragement of disclosure of potential problems, in particular at the weekly Internal Credit Committee, has served us well.

Risk Management

We believe that effective risk management is of primary importance to our organization. Risk management refers to the activities by which we identify, measure, monitor, evaluate and manage the risks we face in the course of our banking activities. These include liquidity, interest rate, credit, operational, cyber/technological, legal, compliance, regulatory, strategic, financial and reputational risk exposures. Our board of directors and management team have created a risk-conscious culture that is focused on quality growth, which starts with highly capable and experienced risk management teams and infrastructure capable of addressing the evolving risks we face, as well as the changing regulatory and compliance landscape. Our risk management approach employs comprehensive policies and processes to establish robust governance and emphasizes personal ownership and accountability for risk with all our employees. We believe a disciplined and conservative underwriting approach has been the key to our strong asset quality.

Our board of directors sets the tone at the top of our organization, adopting and overseeing the implementation of our company-wide risk management framework. The Risk Committee of our board of directors provides oversight of our enterprise risk management function. Additionally, the Audit Committee of the board of directors oversees governance of the regulatory, compliance, financial and internal control risks of the company. The Credit Committee of the board is responsible for establishing and managing the overall credit risk framework and the related policies governing that risk.

Enterprise risk management

Overview

Meridian's Enterprise Risk Management ("ERM") Program has been developed to enhance our oversight regarding certain business risks taken in pursuit of acceptable returns. The program is administered by the Senior Risk Officer and articulated via the use of a risk management framework that considers business strategy, governance, risk culture, risk assessments, risk appetite and internal controls, such as monitoring, measuring, stress testing and reporting. Our enterprise risk management function implements a bank-wide approach to risk taking and coordinates risk management efforts.

Bank management is responsible for the implementation, integrity, and maintenance of risk management systems as well as to keep the directors adequately informed of our risk exposure and must:

- implement our strategic direction;
- develop policies, formal or informal, that define our risk tolerance that are compatible with our strategic goals;
- oversee the development and maintenance of management information systems to ensure they are timely, accurate, and informative;
- ensure that strategic direction and risk tolerances are effectively communicated and adhered to throughout the Bank.

Specific primary risk categories evaluated include, Credit Risk, Interest Rate and Market Risk, Liquidity Risk, Operational and Transaction Risk, Technology Risk, Compliance and Legal Risk, Reputation Risk, and ultimately, Strategic Risk. Our policy details regarding each category follow below.

Tools employed include the use of monthly risk summaries for the board of directors, a bank-wide enterprise risk assessment, management and board level dashboards providing summary and granular level risk tolerance and appetite measures with scoring and heat-map components.

Risk Culture

We strive to encourage and communicate the tone at the top regarding our strong risk culture by giving people the tools and training to identify risk, assess it, evaluate it against the desired level of risk tolerance, and make informed decisions about suitable risk treatment. We feel that managing risk is the responsibility of all employees and critical to the success of the organization.

Risk Framework -Three Lines of Defense

We consider a line of defense methodology to ensure responsible parties are fully aware of accountabilities across the enterprise. The first line of defense is the business units, who manage the day to day operations of the Bank. They best understand and manage enterprise risk and are integral for risk identification and escalation. The second line of defense is our risk management, finance, compliance and other control groups. They are collectively responsible for establishing our risk management framework, reviewing and challenging our policy setting, ensuring that the first line of defense's activities accord with risk appetite and risk tolerance, establishing policy and credit underwriting guidelines, monitoring portfolio quality and concentrations and managing problem loans. The third line of defense is our internal audit and credit review groups. They collectively use a risk-based approach to independently review our activities, provide assurances that our internal controls are working effectively, and provide independent assurance for the first and second lines of defense.

Risk Reporting

Risk Assessment – On an annual basis, or more frequently as needed, we prepare a bank-wide risk assessment based on the structure and contents of the Office of the Currency of the Comptroller's Risk Assessment System, as defined in their examination manual. In additional, one of our internal audit firms prepares a similarly based risk assessment by department level which results in the development of our final audit plan.

Monthly Risk Summary – Each month, the board of directors is apprised of top risks, new developments, escalated risk categories and risk reduction activities taking place throughout the Bank.

Quarterly ERM Dashboard – Based in part on call report and other quarter end data, the ERM dashboard provides a summary page of risk tolerances and levels across all monitored risk categories. The summary is followed by detailed pages, which identify general risk tolerances by category, and finely tunes risk indicators reflecting our risk appetite in generally measureable terms. The dashboard provides for a visual representation of five rolling quarters for trending and a comparison of risk levels for the most recent and prior quarters.

Internal Controls

The ERM framework provides for a series of internal controls including the development and oversight of the Bank's policies, procedures and processes bank-wide. We informally consider the impact of the COSO Framework for Internal Controls with respect to such components as Control Environment, Risk Assessments, Control Activities, Information and Communication and Monitoring. The internal control process is designed to provide a reasonable assurance of the achievement of objectives regarding the effectiveness and efficiency of operations, the reliability of financial reporting, and the compliance with applicable laws and regulations.

Our policies are tracked with the majority being presented to the board for approval over the course of each year. To provide ease of access to employees, we have uploaded applicable policies to our intranet for review. As procedures are generally very specific to any one line unit, they are typically managed at the departmental level and updated as needed when processes or requirements may change.

Legal and Regulatory Proceedings

We operate in a highly regulated environment. In the ordinary course of business, the Bank is subject to litigation, claims, and assessments that involve claims for monetary relief, some of which are covered by insurance. If not fully

covered by insurance, the monetary relief may materially affect our financial condition, results of operations and cash flows. Refer to Footnote 18 for the Bank's assessment of current litigation matters.

Recent Litigation

On October 31, 2017, two former employees of the mortgage banking division of the Bank filed suit in the Philadelphia Court of Common Pleas, *Weissenberg et. al. v. Meridian Bank*, against the Bank seeking unpaid commissions pursuant to a breach of contract claim and liquidated damages under the Pennsylvania Wage Payment and Collection Law. The aggregate amount of such damages set forth in the complaint was approximately $325,000. The plaintiffs also sought reimbursement for their attorneys' fees and costs. The Bank settled the claim in the fourth quarter of 2017 for damages in the amount of $137,000, with accrued and unbilled legal expenses capped at Meridian's insurance deductible of $50,000. Based on the settled claim and insurance policy in place, total expense related to the claim will not exceed $187,000.

On November 21, 2017, three former employees of the mortgage-banking division of the Bank filed suit in the United States District Court for the Eastern District of Pennsylvania, *Juan Jordan et al. v. Meridian Bank, Thomas Campbell and Christopher Annas*, against the Bank purporting to be a class and collective action seeking unpaid and overtime wages under the Fair Labor Standards Act of 1938, the New Jersey Wage and Hour Law, and the Pennsylvania Minimum Wage Act of 1968 on behalf of similarly situated plaintiffs. In February 2018, the Bank answered the complaint and presented affirmative defenses. In March 2018, plaintiffs' counsel and the Bank agreed to move forward with non-binding mediation. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, success on the merits, the Bank cannot estimate the reasonable possible loss or range of loss that may result from this action. Additionally, the Bank's estimate may change from time to time, and actual losses could vary.

SUPERVISION AND REGULATION

We and our subsidiaries are subject to extensive regulation under federal and state banking laws that establish a comprehensive framework for our operations. This framework may materially affect our growth potential and financial performance and is intended primarily for the protection of depositors, customers, federal deposit insurance funds and the banking system as a whole, not for the protection of our shareholders and creditors. Significant elements of the statutes, regulations and policies applicable to us and our subsidiaries are described below.

Holding Company Formation

In May 2017, shareholders of the Bank approved and adopted the Plan of Merger and Reorganization among Meridian Bank, Meridian Interim Bank and Meridian Corporation, whereby, among other things, Meridian Bank will merge with and into Meridian Interim Bank and become a wholly owned subsidiary of Meridian Corporation, with shareholders of Meridian Bank receiving one share of Meridian Corporation common stock, par value $1.00 per share in exchange for each share of common stock of Meridian Bank presently owned. Applications to each of the Federal Reserve and the PDBS for approval of this holding company formation transaction have been approved. We anticipate completing this transaction during the second quarter of 2018. For further information, see "Holding Company Formation."

Regulatory Agencies

Meridian is an FDIC-insured commercial bank chartered under the laws of Pennsylvania. Our bank is not a member of the Federal Reserve System. Consequently, the FDIC and the PDBS are the primary regulators of the Bank and also regulate our subsidiaries. As a Pennsylvania-chartered bank, Meridian is subject to supervision and examination by the PDBS. Meridian is subject to the disclosure and regulatory requirements of the Exchange Act as administered by the FDIC and the rules adopted by NASDAQ applicable to listed companies. Additionally, following the formation of the holding company, the holding company will be subject to supervision and examination by the Federal Reserve and will be subject to the disclosure and regulatory requirements of the Exchange Act.

Permissible Activities for Bank Holding Companies

Following the completion of the holding company formation, the holding company will be a registered bank holding company under the Bank Holding Company Act of 1956 ("BHC Act"). In general, the BHC Act limits the business of bank holding companies to banking, managing or controlling banks and other activities that the Federal Reserve has determined to be so closely related to banking as to be a proper incident thereto, which include certain activities relating to extending credit or acting as an investment or financial advisor.

Bank holding companies that qualify and elect to be treated as "financial holding companies" may engage in a broader range of additional activities than bank holding companies that are not financial holding companies. In particular, financial holding companies may engage in activities that are (i) financial in nature or incidental to such financial activities or (ii) complementary to a financial activity and do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. These activities include securities underwriting and dealing, insurance underwriting and making merchant banking investments. We have not elected to be treated as a financial holding company and currently have no plans to make a financial holding company election.

The Federal Reserve has the power to order any bank holding company or any of its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve has reasonable grounds to believe that continuing such activity, ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

Permissible Activities for Banks

As a Pennsylvania-chartered commercial bank, our business is subject to extensive supervision and regulation by state and federal bank regulatory agencies. Our business is generally limited to activities permitted by Pennsylvania law and any applicable federal laws. Under the Pennsylvania Banking Code of 1965 (the "Pennsylvania Banking Code"), the Bank may generally engage in all usual banking activities, including, among other things, accepting deposits; lending money on personal and real estate security; issuing letters of credit; buying, discounting, and negotiating promissory notes and other forms of indebtedness; buying and selling foreign currency and, subject to certain limitations, certain investment securities; engaging in certain insurance activities and maintaining safe deposit boxes on premises.

The FDIC has adopted regulations pertaining to the other activity restrictions imposed upon insured state banks and their subsidiaries. Pursuant to such regulations, insured state banks engaging in impermissible activities may seek approval from the FDIC to continue such activities. State banks not engaging in such activities but that desire to engage in otherwise impermissible activities either directly or through a subsidiary may apply for approval from the FDIC to do so; however, if such bank fails to meet the minimum capital requirements or the activities present a significant risk to the Deposit Insurance Fund, such application will not be approved by the FDIC. Pursuant to this authority, the FDIC has determined that investments in certain majority-owned subsidiaries of insured state banks do not represent a significant risk to the deposit insurance funds. Investments permitted under that authority include real estate activities and securities activities.

Meridian currently conducts certain non-banking activities through certain of its non-bank subsidiaries. Meridian Bank currently operates three wholly owned subsidiaries: Meridian Land Settlement Services, which provides title insurance services; Apex Realty, a real estate holding company; and Meridian Wealth, a registered investment advisory firm.

Pennsylvania law also imposes restrictions on Meridian Bank's activities intended to ensure the safety and soundness of the Bank. For example, Meridian Bank is restricted under the Pennsylvania Banking Code from investing in certain types of investment securities and is generally limited in the amount of money it can lend to a single borrower or invest in securities issued by a single issuer.

Acquisitions by Bank Holding Companies

The BHC Act, Section 18(c) of the Federal Deposit Insurance Act ("FDIA"), popularly known as the "Bank Merger Act", the Pennsylvania Banking Code and other federal and state statutes regulate acquisitions of commercial banks and other FDIC-insured depository institutions. Following the formation of the holding company, we must obtain the prior approval of the Federal Reserve under the BHC Act before (i) acquiring more than 5% of the voting stock of any FDIC-insured depository institution or other bank holding company (other than directly through the Bank), (ii) acquiring all or substantially all of the assets of any bank or bank holding company or (iii) merging or consolidating with any other bank holding company. Under the Bank Merger Act, the prior approval of the FDIC is required for the Bank to merge with another bank or purchase all or substantially all of the assets or assume any of the deposits of another FDIC-insured depository institution or to assume certain liabilities of non-banks. In reviewing applications seeking approval of merger and acquisition transactions, banking regulators consider, among other things, the competitive effect and public benefits of the transactions, the capital position and managerial resources of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the CRA, the applicant's compliance with fair housing and other consumer protection laws and the effectiveness of all organizations involved in combating money laundering activities. In addition, failure to implement or maintain adequate compliance programs could cause banking regulators not to approve an acquisition where regulatory approval is required or to prohibit an acquisition even if approval is not required.

Dividends

Meridian is a legal entity separate and distinct from its subsidiaries. As a Pennsylvania banking institution, Meridian Bank is subject to certain restrictions on its ability to pay dividends under applicable banking laws and regulations.

Federal banking regulators are authorized to determine under certain circumstances relating to the financial condition of a bank holding company or a bank that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In particular, federal banking regulators have stated that paying dividends that deplete a banking organization's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings. In addition, in the current financial and economic environment, the federal banking regulators have indicated that banks should carefully review their dividend policy and have discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong. Under the Capital Rules, institutions that seek to pay dividends must maintain 2.5% in Common Equity Tier 1 capital attributable to the capital conservation buffer, which is to be phased in over a three-year period that began on January 1, 2016. See "—Regulatory Capital Requirements".

A portion of our income comes from dividends from our subsidiaries, which is also the component of our liquidity. In addition to the restrictions discussed above, the Bank is subject to limitations under Pennsylvania law regarding the level of dividends that it may pay to our shareholders. Under the Pennsylvania Banking Code, Meridian Bank generally may not pay dividends in excess of its net profits.

In October 2012, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the Federal Reserve and the FDIC published final rules regarding company-run stress testing. These rules require bank holding companies and banks with average total consolidated assets greater than $10 billion to conduct an annual company-run stress test of capital, consolidated earnings and losses under one base and at least two stress scenarios provided by the federal banking regulators. We are not currently subject to the stress testing requirements, but we expect that if we become subject to those requirements, the Federal Reserve (after the formation of the holding company), the FDIC and the PDBS will consider our results as an important factor in evaluating our capital adequacy, any proposed acquisitions by us or by the holding company and whether any proposed dividends or stock repurchases by us or by the holding company may be an unsafe or unsound practice.

Parity Regulation

A Pennsylvania banking institution may, in accordance with Pennsylvania law and regulations issued by the PDBS, exercise any power and engage in any activity that has been authorized for national banks, federal thrifts or state banks in a state other than Pennsylvania, provided that the activity is permissible under applicable federal law and not specifically prohibited by Pennsylvania law. Such powers and activities must be subject to the same limitations and restrictions imposed on the national bank, federal thrift or out-of-state bank that exercised the power or activity, subject to a required notice to the PDBS. The FDIA, however, prohibits state-chartered banks from making new investments, loans, or becoming involved in activities as principal and equity investments which are not permitted for national banks unless (1) the FDIC determines the activity or investment does not pose a significant risk of loss to the Deposit Insurance Fund and (2) the Bank meets all applicable capital requirements. Accordingly, the additional operating authority provided to the Bank by the Pennsylvania Banking Code is restricted by the FDIA.

Transactions with Affiliates and Insiders

Transactions between our subsidiaries, on the one hand, and Meridian or any other subsidiary, on the other hand, are regulated under Sections 23A and 23B of the Federal Reserve Act. The Federal Reserve Act imposes quantitative and qualitative requirements and collateral requirements on covered transactions by Meridian Bank with, or for the benefit of, its affiliates. Generally, the Federal Reserve Act limits the extent to which a bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of a bank's capital stock and surplus, limits the aggregate amount of all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus, and requires those transactions to be on terms at least as favorable to a bank as if the transaction were conducted with an unaffiliated third party. Covered transactions are defined by statute to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve) from the affiliate, certain derivative transactions with an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In addition, any credit transactions with any affiliate must be secured by designated amounts of specified collateral.

Federal law also limits a bank's authority to extend credit to its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. In addition, the terms of such extensions of credit may not involve more than the normal risk of non-repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons individually and in the aggregate.

Source of Strength

Federal Reserve policy and federal law require bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. Under this requirement, the holding company, following its formation, is expected to commit resources to support Meridian Bank, including at times when it may not be in a financial position to provide such resources, and it may not be in our, or our shareholders' or creditors', best interests to do so. In addition, any capital loans the holding company makes to the Bank are subordinate in right of payment to depositors and to certain other indebtedness of the Bank. In the event of our bankruptcy, any commitment by us to a federal banking regulatory agency to maintain the capital of the Bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Regulatory Capital Requirements

The Federal Reserve monitors the capital adequacy of the holding company on a consolidated basis, and the FDIC and the PDBS monitor the capital adequacy of the Bank. The banking regulators use a combination of risk-based guidelines and a leverage ratio to evaluate capital adequacy. The risk-based capital guidelines applicable to us are based on the Basel Committee's December 2010 final capital framework, known as Basel III, as implemented by the

federal banking regulators. The risk-based guidelines are intended to make regulatory capital requirements sensitive to differences in credit and market risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. However, in May 2015, amendments to the Federal Reserve's small bank holding company policy statement (the "SBHC Policy") became effective which increased the asset threshold to qualify to utilize the provisions of the SBHC Policy from $500 million to $1.0 billion. Bank holding companies which are subject to the SBHC Policy are not subject to compliance with the regulatory capital requirements set forth in the discussion below until they exceed $1.0 billion in assets. As a consequence, if the holding company was in existence as of the date hereof, the holding company would not be required to comply with the requirements set forth below until such time that its consolidated total assets exceed $1.0 billion or the Federal Reserve were to determine that the holding company is no longer deemed to be a small bank holding company.

Basel III and the Capital Rules. In July 2013, the federal banking regulators approved final rules, or the Capital Rules, implementing the Basel Committee's December 2010 final capital framework for strengthening international capital standards, known as Basel III, and various provisions of the Dodd-Frank Act. The Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and banks, including us, compared to the previous risk-based capital rules. The Capital Rules revise the components of capital and address other issues affecting the numerator in regulatory capital ratio calculations. The Capital Rules, among other things, (i) include a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting certain revised requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and (iv) expand the scope of the deductions/adjustments to capital as compared to prior regulations. The Capital Rules also address risk weights and other issues affecting the denominator in regulatory capital ratio calculations, including replacing the existing risk-weighting approach derived from Basel I with a more risk-sensitive approach based, in part, on the standardized approach adopted by the Basel Committee in its 2004 capital accords, known as Basel II. The Capital Rules also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking regulators' rules. Subject to a phase-in period for various provisions, the Capital Rules became effective for us beginning on January 1, 2015.

Under the Basel III Capital Rules, the minimum capital ratios are (i) 4.5% CET1 to risk-weighted assets, (ii) 6% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets, (iii) 8% total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets and (iv) 4% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

The current Capital Rules also include a capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased in over a three-year period (increasing by 0.625% on each subsequent January 1) until it reaches 2.5% on January 1, 2019. In addition, the Capital Rules provide for a countercyclical capital buffer applicable only to certain covered institutions. We do not expect the countercyclical capital buffer to be applicable to us. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

When fully phased-in, the Capital Rules will require us to maintain an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios of (i) 7% CET1 to risk-weighted assets, (ii) 8.5% Tier 1 capital to risk-weighted assets, (iii) 10.5% total capital to risk-weighted assets and (iv) a minimum leverage ratio of 4%. The Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Implementation of the deductions and other adjustments to CET1 began on January 1, 2015 and will be phased in over a four-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The Capital Rules also generally preclude certain hybrid securities, such as trust-preferred securities, from being counted as Tier 1 capital for most bank holding companies. Bank holding companies who had less than $15 billion in assets as of December 31, 2009 (and who continue to have less than $15 billion in

assets) are permitted to include qualifying trust preferred securities issued prior to May 19, 2010 as Additional Tier 1 capital under the Capital Rules, however.

In addition, under the general risk-based Capital Rules, the effects of accumulated other comprehensive income items included in capital were excluded for the purposes of determining regulatory capital ratios. Under the Capital Rules, the effects of certain accumulated other comprehensive income items are not excluded; however, non-advanced approaches banking organizations, including Meridian Bank, were able to make a one-time permanent election to continue to exclude these items. Meridian Bank made this election.

The Capital Rules also prescribed a new standardized approach for risk weightings that expanded the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0%, for U.S. government and agency securities, to 600%, for certain equity exposures, and resulting in higher risk weights for a variety of asset categories.

With respect to the Bank, the Capital Rules also revised the prompt corrective action regulations pursuant to Section 38 of the FDIA. See "—Prompt Corrective Action Framework".

Liquidity Regulations

Historically, the regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, without required formulaic measures. The Basel III final framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward would be required by regulation. One test, referred to as the liquidity coverage ratio, or LCR, is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity's expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the net stable funding ratio, or NSFR, is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will incentivize banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source.

In September 2014, the federal banking regulators approved final rules implementing the LCR for advanced approaches banking organizations (i.e., banking organizations with $250 billion or more in total consolidated assets or $10 billion or more in total on-balance sheet foreign exposure) and a modified version of the LCR for bank holding companies with at least $50 billion in total consolidated assets that are not advanced approach banking organizations. Neither of these final versions of the LCR would apply to us. In the second quarter of 2016, the federal banking regulators issued a proposed rule that would implement the NSFR for certain U.S. banking organizations. The proposed rule would require certain U.S. banking organizations to ensure they have access to stable funding over a one-year time horizon and has an effective date of January 1, 2018. The proposed rule would not apply to U.S. banking organizations with less than $50 billion in total consolidated assets such as Meridian Bank.

Prompt Corrective Action Framework

The FDIA also requires the federal banking regulators to take prompt corrective action in respect of depository institutions that fail to meet specified capital requirements. The FDIA establishes five capital categories ("well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized" and "critically undercapitalized"), and the federal banking regulators are required to take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions that are undercapitalized, significantly undercapitalized or critically undercapitalized. The severity of these mandatory and discretionary supervisory actions depends upon the capital category in which the institution is placed. The relevant capital measures, which reflect changes under the Capital Rules that became effective on January 1, 2015, are the total capital ratio, the CET1 capital ratio, the Tier 1 capital ratio and the leverage ratio.

A bank will be (i) "well capitalized" if the institution has a total risk-based capital ratio of 10% or greater, a CET1 capital ratio of 6.5% or greater, a Tier 1 risk-based capital ratio of 8% or greater and a leverage ratio of 5% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure; (ii) "adequately capitalized" if the institution has a total risk-based capital ratio of 8% or greater, a CET1 capital ratio of 4.5% or greater, a Tier 1 risk-based capital ratio of 6% or greater and a leverage ratio of 4% or greater and is not "well capitalized"; (iii) "undercapitalized" if the institution has a total risk-based capital ratio that is less than 8%, a CET1 capital ratio less than 4.5%, a Tier 1 risk-based capital ratio of less than 6% or a leverage ratio of less than 4%; (iv) "significantly undercapitalized" if the institution has a total risk-based capital ratio of less than 6%, a CET1 capital ratio less than 3%, a Tier 1 risk-based capital ratio of less than 4% or a leverage ratio of less than 3%; and (v) "critically undercapitalized" if the institution's tangible equity is equal to or less than 2% of average quarterly tangible assets. A bank's capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of Meridian Bank's overall financial condition or prospects for other purposes.

The FDIA generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be "undercapitalized". An institution that is categorized as undercapitalized, significantly undercapitalized or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking regulator. Under the FDIA, in order for the capital restoration plan to be accepted by the appropriate federal banking agency, a bank holding company must guarantee that a subsidiary depository institution will comply with its capital restoration plan, subject to certain limitations. The bank holding company must also provide appropriate assurances of performance. The obligation of a controlling bank holding company under the FDIA to fund a capital restoration plan is limited to the lesser of 5% of an undercapitalized subsidiary's assets or the amount required to meet regulatory capital requirements. An undercapitalized institution is also generally prohibited from increasing its average total assets, making acquisitions and capital distributions, establishing any branches or engaging in any new line of business, except in accordance with an accepted capital restoration plan or with the approval of the FDIC. Institutions that are undercapitalized or significantly undercapitalized and either fail to submit an acceptable capital restoration plan or fail to implement an approved capital restoration plan may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions are subject to appointment of a receiver or conservator.

The appropriate federal banking agency may, under certain circumstances, reclassify a well-capitalized insured depository institution as adequately capitalized. The FDIA provides that an institution may be reclassified if the appropriate federal banking agency determines (after notice and opportunity for hearing) that the institution is in an unsafe or unsound condition or deems the institution to be engaging in an unsafe or unsound practice. The appropriate agency is also permitted to require an adequately capitalized or undercapitalized institution to comply with the supervisory provisions as if the institution were in the next lower category (but not treat a significantly undercapitalized institution as critically undercapitalized) based on supervisory information other than the capital levels of the institution. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters.

Safety and Soundness Standards

The FDIA requires the federal banking agencies to prescribe standards, by regulations or guidelines, relating to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation and compensation, fees and benefits, and such other operational and managerial standards as the agencies deem appropriate. The federal banking agencies have adopted the Interagency Guidelines for Establishing Standards for Safety and Soundness. The guidelines establish

general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. These guidelines also prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying all safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the banking regulator must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution may be subject under the FDIA. See "—Prompt Corrective Action Framework". If an institution fails to comply with such an order, the banking regulator may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Deposit Insurance

FDIC insurance assessments

As an FDIC-insured bank, Meridian must pay deposit insurance assessments to the FDIC based on its average total assets minus its average tangible equity. Deposits are insured up to applicable limits by the FDIC and such insurance is backed by the full faith and credit of the United States Government.

As an institution with less than $10 billion in assets, Meridian's assessment rates are based on the level of risk it poses to the FDIC's deposit insurance fund ("DIF"). Pursuant to changes adopted by the FDIC that were effective July 1, 2016, the initial base rate for deposit insurance is between three and 30 basis points. Total base assessment after possible adjustments now ranges between 1.5 and 40 basis points. For established smaller institutions, like Meridian Bank, supervisory ratings are used along with (i) an initial base assessment rate, (ii) an unsecured debt adjustment (which can be positive or negative), and (iii) a brokered deposit adjustment, to calculate a total base assessment rate.

Under the Dodd-Frank Act, the limit on FDIC deposit insurance was increased to $250 thousand. The coverage limit is per depositor, per insured depository institution for each account ownership category. The Dodd-Frank Act also set a new minimum DIF reserve ratio at 1.35% of estimated insured deposits. In October 2010, the FDIC adopted a new DIF restoration plan to ensure that the fund reserve ratio reaches 1.35% by September 30, 2020, as required by the Dodd-Frank Act. In August 2016, the FDIC announced that the DIF reserve ratio had surpassed 1.15% as of June 30, 2016.

Under the FDIA, the FDIC may terminate deposit insurance upon a finding that an institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Other assessments

In addition, the Deposit Insurance Funds Act of 1996 authorized the Financing Corporation ("FICO") to impose assessments on certain deposits in order to service the interest on the FICO's bond obligations from deposit insurance fund assessments. The amount assessed on individual institutions is in addition to the amount, if any, paid for deposit insurance according to the FDIC's risk-related assessment rate schedules. Assessment rates may be adjusted quarterly to reflect changes in the assessment base.

The Volcker Rule

The Dodd-Frank Act, pursuant to a statutory provision commonly called the "Volcker Rule", prohibits banks and their affiliates from engaging in proprietary trading and investing in and sponsoring hedge funds and private equity funds.

The Volcker Rule, which became effective in July 2015, does not significantly affect the operations of Meridian and its subsidiaries, as we do not have any significant engagement in the businesses prohibited by the Volcker Rule.

Depositor Preference

The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of deposits of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including depositors whose deposits are payable only outside of the United States and the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

Interstate Branching

Pennsylvania banking laws authorize banks in Pennsylvania to acquire existing branches or branch de novo in other states, and also permits out-of-state banks to acquire existing branches or branch de novo in Pennsylvania.

In April 2008, state banking regulators in the states of New Jersey, New York, and Pennsylvania entered into a Memorandum of Understanding (the "Interstate MOU") to clarify their respective roles, as home and host state regulators, regarding interstate branching activity on a regional basis pursuant to the Riegle-Neal Amendments Act of 1997. The Interstate MOU establishes the regulatory responsibilities of the respective state banking regulators regarding bank regulatory examinations and is intended to reduce the regulatory burden on state-chartered banks branching within the region by eliminating duplicative host state compliance exams.

Under the Interstate MOU, the activities of any branches Meridian would establish in New Jersey or New York would be governed by Pennsylvania state law to the same extent that federal law governs the activities of the branch of an out-of-state national bank in such host states. Issues regarding whether a particular host state law is preempted are to be determined in the first instance by the PDBS. In the event that the PDBS and the applicable host state regulator disagree regarding whether a particular host state law is pre-empted, the PDBS and the applicable host state regulator would use their reasonable best efforts to consider all points of view and to resolve the disagreement.

Federal law permits state and national banks to merge with banks in other states subject to: (i) regulatory approval; (ii) federal and state deposit concentration limits; and (iii) any state law limitations requiring the merging bank to have been in existence for a minimum period of time (not to exceed five years) prior to the merger. The establishment of new interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) has historically been permitted only in those states the laws of which expressly authorize such expansion. However, the Dodd-Frank Act permits well-capitalized and well-managed banks to establish new branches across state lines without these impediments.

Consumer Financial Protection

We are subject to a number of federal and state consumer protection laws that extensively govern our relationship with our customers. These laws include the Equal Credit Opportunity Act ("ECOA"), the Fair Credit Reporting Act, the Truth in Lending Act ("TILA"), the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Home Mortgage Disclosure Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, Fair Credit Reporting Act, the Service Members Civil Relief Act, the Right to Financial Privacy Act, Telephone Consumer Protection Act, CAN-SPAM Act, and these laws' respective state-law counterparts, as well as state usury laws and laws regarding unfair and deceptive acts and practices. These and other federal laws, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, restrict our ability to raise interest rates on extensions of credit and

subject us to substantial regulatory oversight. Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees. Federal banking regulators, state attorneys general and state and local consumer protection agencies may also seek to enforce consumer protection requirements and obtain these and other remedies, including regulatory sanctions, customer rescission rights, action by the state and local attorneys general in each jurisdiction in which we operate and civil money penalties. Failure to comply with consumer protection requirements may also result in our failure to obtain any required bank regulatory approval for merger or acquisition transactions we may wish to pursue or our prohibition from engaging in such transactions even if approval is not required.

The Dodd-Frank Act created a new, independent federal agency, the Consumer Financial Protection Bureau ("CFPB"), which was granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws with respect to certain consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged legal violations. The CFPB has the authority to impose significant penalties, as well as injunctive relief that prohibits lenders from engaging in allegedly unlawful practices. The CFPB is also authorized to engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. Although all institutions are subject to rules adopted by the CFPB and examination by the CFPB in conjunction with examinations by the institution's primary federal regulator, the CFPB has primary examination and enforcement authority over institutions with assets of $10 billion or more. The FDIC has primary responsibility for examination of the Bank and enforcement with respect to various federal consumer protection laws so long as the Bank has total consolidated assets of less than $10 billion, and state authorities are responsible for monitoring our compliance with all state consumer laws. The CFPB also has the authority to require reports from institutions with less than $10 billion in assets, such as the Bank, to support the CFPB in implementing federal consumer protection laws, supporting examination activities, and assessing and detecting risks to consumers and financial markets.

The consumer protection provisions of the Dodd-Frank Act and the examination, supervision and enforcement of those laws and implementing regulations by the CFPB have created a more intense and complex environment for consumer finance regulation. The CFPB has significant authority to implement and enforce federal consumer finance laws, including the TILA, the ECOA and new requirements for financial services products provided for in the Dodd-Frank Act.

The CFPB has broad rulemaking authority for a wide range of consumer financial laws that apply to all banks including, among other things, the authority to prohibit "unfair, deceptive, or abusive" acts and practices. Abusive acts or practices are defined in the Dodd-Frank Act as those that (1) materially interfere with a consumer's ability to understand a term or condition of a consumer financial product or service, or (2) take unreasonable advantage of a consumer's (a) lack of financial savvy, (b) inability to protect herself or himself in the selection or use of consumer financial products or services, or (c) reasonable reliance on a covered entity to act in the consumer's interests. The review of products and practices to prevent such acts and practices is a continuing focus of the CFPB, and of banking regulators more broadly. The ultimate impact of this heightened scrutiny is uncertain but it could result in changes to pricing, practices, products and procedures. It could also result in increased costs related to regulatory oversight, supervision and examination, additional remediation efforts and possible penalties. The Dodd-Frank Act does not prevent states from adopting stricter consumer protection standards. State regulation of financial products and potential enforcement actions could also adversely affect our business, financial condition or results of operations.

Federal Home Loan Bank Membership

Meridian Bank is a member of the FHLB, which serves as a central credit facility for its members. The FHLB is funded primarily from proceeds from the sale of obligations of the FHLB system. It makes loans to member banks in the form of FHLB advances. All advances from the FHLB are required to be fully collateralized as determined by the FHLB.

Ability-To-Pay Rules and Qualified Mortgages

As required by the Dodd-Frank Act, the CFPB issued a series of final rules in January 2013 amending Regulation Z, implementing TILA, which requires mortgage lenders to make a reasonable and good faith determination, based on verified and documented information, that a consumer applying for a residential mortgage loan has a reasonable ability to repay the loan according to its terms. These final rules prohibit creditors, such as Meridian Bank, from extending residential mortgage loans without regard for the consumer's ability to repay and add restrictions and requirements to residential mortgage origination and servicing practices. In addition, these rules restrict the imposition of prepayment penalties and restrict compensation practices relating to residential mortgage loan origination. Mortgage lenders are required to determine consumers' ability to repay in one of two ways. The first alternative requires the mortgage lender to consider eight underwriting factors when making the credit decision. Alternatively, the mortgage lender can originate "qualified mortgages", which are entitled to a presumption that the creditor making the loan satisfied the ability-to-repay requirements. In general, a qualified mortgage is a residential mortgage loan that does not have certain high-risk features, such as negative amortization, interest-only payments, balloon payments, or a term exceeding 30 years. In addition, to be a qualified mortgage, the points and fees paid by a consumer cannot exceed 3% of the total loan amount and the borrower's total debt-to-income ratio must be no higher than 43% (subject to certain limited exceptions for loans eligible for purchase, guarantee or insurance by a government sponsored enterprise or a federal agency).

Commercial Real Estate Guidance

In December 2015, the federal banking regulators released a statement entitled "Interagency Statement on Prudent Risk Management for Commercial Real Estate Lending" (the "CRE Guidance"). In the CRE Guidance, the federal banking regulators (i) expressed concerns with institutions that ease commercial real estate underwriting standards, (ii) directed financial institutions to maintain underwriting discipline and exercise risk management practices to identify, measure and monitor lending risks, and (iii) indicated that they will continue to pay special attention to commercial real estate lending activities and concentrations going forward. The federal banking regulators previously issued guidance in December 2006, entitled "Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices", which stated that an institution is potentially exposed to significant commercial real estate concentration risk, and should employ enhanced risk management practices, where (1) total commercial real estate loans represent 300% or more of its total capital and (2) the outstanding balance of such institution's commercial real estate loan portfolio has increased by 50% or more during the prior 36 months.

Leveraged Lending Guidance

In March 2013, the federal banking regulators jointly issued guidance on leveraged lending that updates and replaces the guidance for leveraged finance activities issued by the federal banking regulators in April 2001. The revised leveraged lending guidance describes regulatory expectations for the sound risk management of leveraged lending activities, including the importance for institutions to maintain, among other things, (i) a credit limit and concentration framework consistent with the institution's risk appetite, (ii) underwriting standards that define acceptable leverage levels, (iii) strong pipeline management policies and procedures and (iv) guidelines for conducting periodic portfolio and pipeline stress tests.

Community Reinvestment Act of 1977

Under the CRA, the Bank has an obligation, consistent with safe and sound operations, to help meet the credit needs of the market areas where it operates, which includes providing credit to low- and moderate-income individuals and communities. In connection with its examination of the Bank, the FDIC is required to assess our compliance with the CRA. Our bank's failure to comply with the CRA could, among other things, result in the denial or delay in certain corporate applications filed by us, including applications for branch openings or relocations and applications to acquire, merge or consolidate with another banking institution or holding company. Our bank received a rating of "Satisfactory" in its most recently completed CRA examination in 2016 that was as of November 8, 2016.

Financial Privacy

The federal banking regulators have adopted rules limiting the ability of banks and other financial institutions to disclose non-public information about consumers to unaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to an unaffiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering and the USA PATRIOT ACT

A major focus of governmental policy on financial institutions in recent years has been combating money laundering and terrorist financing. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("the USA PATRIOT Act") substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States in these areas: customer identification programs, money laundering, terrorist financing, identifying and reporting suspicious activities and currency transactions, currency crimes, and cooperation between financial institutions and law enforcement authorities. The U.S. Treasury Department's Financial Crimes Enforcement Network, among other federal agencies, also promulgates rules and regulations regarding the USA PATRIOT Act with which financial institutions are required to comply. Financial institutions are prohibited from entering into specified financial transactions and account relationships and must use enhanced due diligence procedures in their dealings with certain types of high-risk customers and implement a written customer identification program. Financial institutions must take certain steps to assist government agencies in detecting and preventing money laundering and report certain types of suspicious transactions. Regulatory authorities routinely examine financial institutions for compliance with these obligations, and failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and significant civil money penalties against institutions found to be violating these obligations and have in some cases brought criminal actions against some institutions for these types of violations.

Office of Foreign Assets Control Regulation

The U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. We are responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious legal and reputational consequences and could result in civil money penalties imposed on the institution by OFAC. Failure to comply with these sanctions could also cause applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required.

Incentive Compensation

The Federal Reserve will review, as part of the regular, risk-focused examination process once the holding company formation is completed, the incentive compensation arrangements of banking organizations, such as us, that are not "large, complex banking organizations." These reviews will be tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other

actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

In June 2010, the federal banking regulators issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (1) provide incentives that appropriately balance risk and financial results in a manner that does not encourage employees to expose their organizations to imprudent risk, (2) be compatible with effective internal controls and risk management and (3) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

During the second quarter of 2016, certain U.S. regulators, including the Federal Reserve, the FDIC and the SEC, proposed revised rules on incentive-based payment arrangements at specified regulated entities having at least $1 billion in total assets (which would not include Meridian Bank). The proposed revised rules would establish general qualitative requirements applicable to all covered entities, which would include: (i) prohibiting incentive arrangements that encourage inappropriate risks by providing excessive compensation; (ii) prohibiting incentive arrangements that encourage inappropriate risks that could lead to a material financial loss; (iii) establishing requirements for performance measures to appropriately balance risk and reward; (iv) requiring board of director oversight of incentive arrangements; and (v) mandating appropriate record keeping.

Pursuant to rules adopted by the stock exchanges and approved by the Securities and Exchange Commission ("SEC") in January 2013 under the Dodd-Frank Act, public company compensation committee members must meet heightened independence requirements and consider the independence of compensation consultants, legal counsel and other advisors to the compensation committee. A compensation committee must have the authority to hire advisors and to have the public company fund reasonable compensation of such advisors.

Public companies will be required, once stock exchanges impose additional listing requirements under the Dodd-Frank Act, to implement "clawback" procedures for incentive compensation payments and to disclose the details of the procedures which allow recovery of incentive compensation that was paid on the basis of erroneous financial information necessitating a restatement due to material noncompliance with financial reporting requirements. This clawback policy is intended to apply to compensation paid within a three-year look-back window of the restatement and would cover all executives who received incentive awards.

Cybersecurity

In March 2015, federal regulators issued two related statements regarding cybersecurity. One statement indicates that financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. The other statement indicates that a financial institution's management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution's operations after a cyberattack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyberattack. If we fail to observe the regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ an in-depth, layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. We employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of our defensive measures, the threat from cyberattacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive

measures. While to date, we have not experienced a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, our systems and those of our customers and third party service providers are under constant threat and it is possible that we could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers.

Future Legislation and Regulation

Congress may enact legislation from time to time that affects the regulation of the financial services industry, and state legislatures may enact legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of the proposed legislation could affect the regulatory structure under which we operate and may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital or modify our business strategy, or limit our ability to pursue business opportunities in an efficient manner. Our business, financial condition, results of operations or prospects may be adversely affected, perhaps materially, as a result.

Information about Meridian Bank

Our executive offices are located at 9 Old Lincoln Highway, Malvern, PA 19355 and our telephone number is (484) 568-5000. Our Internet website is www.meridianbanker.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and all amendments thereto, from November 7, 2017 to the present have been filed with the FDIC and are available on its website, efr.fdic.gov/fcxweb/efr/index.html, when searching for Meridian Bank. Also on our website are our Audit Committee and Compensation Committee Charters. The information contained in our website or in any websites linked by our website, is not part of this Annual Report on Form 10-K.

We also file reports of our condition and income, known as "Call Reports," with the FDIC. The Call Reports are available on the FFIEC Central Data Repository's Public Data Distribution website at cdr.ffiec.gov/public.

Item 1A. Risk Factors

Investing in our common stock involves a significant degree of risk. The material risks and uncertainties that management believes affect us are described below. Before investing in our common stock, you should carefully consider the risks and uncertainties described below, in addition to the other information contained in this Annual Report. Any of the following risks, as well as risks that we do not know or currently deem immaterial, could have a material adverse effect on our business, financial condition or results of operations. As a result, the trading price of our common stock could decline, and you could lose some or all of your investment. Further, to the extent that any of the information in this Annual Report on Form 10-K constitutes forward-looking statements, the risk factors below are cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. See "Cautionary Note Regarding Forward-Looking Statements".

Risks Related to Our Business

Credit and Interest Rate Risks

Our business depends on our ability to successfully manage credit risk.

The operation of our business requires us to manage credit risk. As a lender, we are exposed to the risk that our borrowers will be unable to repay their loans and leases according to their terms, and that the collateral securing repayment of their loans, if any, may not be sufficient to ensure repayment. In addition, there are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting, risks resulting from changes in economic and industry conditions and risks inherent in dealing with individual borrowers, including the risk that a borrower may not provide information to us about its business in a timely manner, and/or may present inaccurate or incomplete information to us, and risks relating to the value of collateral. In order to manage credit risk successfully, we must, among other things, maintain disciplined and prudent underwriting standards and ensure that our bankers follow those standards. The weakening of these standards for any reason, such as an attempt to attract higher yielding loans, a lack of discipline or diligence by our employees in underwriting and monitoring loans, the inability of our employees to adequately adapt policies and procedures to changes in economic or any other conditions affecting borrowers and the quality of our loan portfolio, may result in loan defaults, foreclosures and additional charge-offs and may necessitate that we significantly increase our allowance for loan and lease losses, each of which could adversely affect our net income. As a result, our inability to successfully manage credit risk could have a material adverse effect on our business, financial condition or results of operations.

We may underestimate the credit losses inherent in our loan and lease portfolio and have credit losses in excess of the amount we provide for loan and lease losses.

The credit quality of our loan and lease portfolio can have a significant impact on our earnings. We maintain an allowance for loan and lease losses, which is a reserve established through a provision for loan and lease losses charged to expense representing management's best estimate of probable losses that may be incurred within our existing portfolio of loans and leases. The allowance, in the judgment of management, is necessary to reserve for estimated loan and lease losses and risks inherent in our loan and lease portfolio. The level of the allowance reflects management's continuing evaluation of specific credit risks; the quality of the loan and lease portfolio; the value of the underlying collateral; the level of non-accruing loans and leases; incurred losses inherent in the current loan and lease portfolio; and economic, political and regulatory conditions.

For our loans and leases, we perform loan reviews and grade loans on an ongoing basis, and we estimate and establish reserves for credit risks and credit losses inherent in our credit exposure (including unfunded lending commitments). The objective of our loan review and grading procedures is to identify existing or emerging credit quality problems so that appropriate steps can be initiated to avoid or minimize future losses. This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments of loan collectability. As is the case with any such assessments, there is always the chance that we will fail to identify the proper factors or that we will fail to estimate accurately the impact of factors that we do identify.

Although we believe our allowance for loan and lease losses is adequate to absorb probable and reasonably estimable losses in our loan and lease portfolio, this allowance may not be sufficient. We could sustain credit losses that are significantly higher than the amount of our allowance for loan and lease losses. Higher credit losses could arise for a variety of reasons, such as changes in economic conditions affecting borrowers, new information regarding our loans and leases and other factors within and outside our control. If real estate values were to decline or if economic conditions in our markets were to deteriorate unexpectedly, additional loan and lease losses not incorporated in the existing allowance for loan and lease losses might occur. Losses in excess of the existing allowance for loan and lease losses will reduce our net income and could have a material adverse effect on our business, financial condition or results of operations. A severe downturn in the economy generally, in our markets specifically or affecting the business and assets of individual customers, would generate increased charge-offs and a need for higher reserves.

As of December 31, 2017, our allowance for loan and lease losses as a percentage of total loans and leases held for investment was 0.96% and as a percentage of total nonperforming loans and leases was 210.7%. Additional credit losses will likely occur in the future and may occur at a rate greater than we have previously experienced. We may be required to take additional provisions for loan and lease losses in the future to further supplement the allowance for credit losses, either due to management's assessment that the allowance is inadequate or requirements by our banking regulators. In addition, bank regulatory agencies will periodically review our allowance for loan and lease losses, the policies and procedures we use to determine the level of the allowance and the value attributed to nonperforming loans or to real estate acquired through foreclosure. Such regulatory agencies may require us to make further provisions or recognize future charge-offs. Further, if charge-offs in future periods exceed the allowance for loan and lease losses, we may need additional adjustments to increase the allowance for loan and lease losses.

In addition, in June 2016, the Financial Accounting Standards Board (the "FASB") issued a new accounting standard that will replace the current approach under GAAP for establishing allowances for loan and lease losses, which generally considers only past events and current conditions, with a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, starting when such assets are first originated or acquired. Under the revised methodology, credit losses will be measured based on past events, current conditions and reasonable and supportable forecasts of future conditions that affect the collectability of financial assets. We are currently evaluating the effect that the new accounting standard will have on the consolidated financial statements and related disclosures. The standard will be effective for us in 2020 or, if we remain an emerging growth company and continue to elect not to opt out of the extended transition period for new accounting standards, 2021.

Any increases in our allowance for credit losses will result in a decrease in net income and may reduce retained earnings and capital and, therefore, have a material adverse effect on our business, financial condition and results of operations.

Our business, profitability and liquidity may be adversely affected by deterioration in the credit quality of, or defaults by, third parties who owe us money, securities or other assets or whose securities or obligations we hold.

In addition to relying on borrowers to repay their loans and leases, we are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. A default by a significant market participant, or concerns that such a party may default, could lead to significant liquidity problems, losses or defaults by other parties, which in turn could adversely affect us.

We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. Deterioration in the credit quality of third parties whose securities or obligations we hold, including the Federal Home Loan Mortgage Corporation, Government National Mortgage Corporation and municipalities, could result in significant losses.

Our mortgage lending business may not provide us with significant non-interest income.

The residential mortgage business is highly competitive, and highly susceptible to changes in market interest rates, consumer confidence levels, employment statistics, the capacity and willingness of secondary market purchasers to acquire and hold or securitize loans, and other factors beyond our control.

Because we sell substantially all of the mortgage loans we originate, the profitability of our mortgage banking business also depends in large part on our ability to aggregate a high volume of loans and sell them in the secondary market at a gain. In fact, as rates rise, we expect increasing industry-wide competitive pressures related to changing market conditions to reduce our pricing margins and mortgage revenues generally. Thus, in addition to our dependence on the interest rate environment, we are dependent upon (i) the existence of an active secondary market and (ii) our ability to profitably sell loans or securities into that market. If our level of mortgage production declines, the profitability will depend upon our ability to reduce our costs commensurate with the reduction of revenue from our mortgage operations.

Our ability to originate and sell mortgage loans readily is dependent upon the availability of an active secondary market for single-family mortgage loans, which in turn depends in part upon the continuation of programs currently offered by government-sponsored entities ("GSEs") and other institutional and non-institutional investors. These entities account for a substantial portion of the secondary market in residential mortgage loans. We are highly dependent on these purchasers continuing their mortgage purchasing programs. Additionally, because the largest participants in the secondary market are Ginnie Mae, Fannie Mae and Freddie Mac, GSEs whose activities are governed by federal law, any future changes in laws that significantly affect the activity of these GSEs could, in turn, adversely affect our operations. In September 2008, Fannie Mae and Freddie Mac were placed into conservatorship by the U.S. government. The federal government has for many years considered proposals to reform Fannie Mae and Freddie Mac, but the results of any such reform, and their impact on us, are difficult to predict. To date, no reform proposal has been enacted.

When we sell mortgage loans to GSEs, we will depend on a third-party service provider for our mortgage loan servicing business and a failure by this third party to perform its obligations could adversely affect our reputation, results of operations or financial condition.

When we begin selling mortgage loans to GSEs, we will depend on a third-party service provider to provide our mortgage loan servicing business with certain primary and special servicing services that are essential to this business. Primary servicing includes the collection of regular payments, processing of tax and insurance, processing of payoffs, handling borrower inquiries and reporting to the borrower. Special servicing is focused on borrowers who are delinquent or on loans that are more complex or in need of more hands-on attention. In the event that our current third-party service provider, or any other third-party service provider that we may use in the future, fails to perform its servicing duties or performs those duties inadequately, we could experience a temporary interruption in collecting principal and interest, sustain credit losses on our loans or incur additional costs to obtain a replacement servicer and there can be no assurance that a replacement servicer could be retained in a timely manner or at similar rates. Furthermore, our servicing rights could be terminated or we may be required to repurchase mortgage loans or reimburse investors due to such failures of our third party service providers.

We may be required to repurchase mortgage loans or indemnify buyers against losses in some circumstances, which could harm liquidity, results of operations and financial condition.

We sell nearly all of the mortgage loans held for sale that we originated. When mortgage loans are sold, whether as whole loans or pursuant to a securitization, we are required to make customary representations and warranties to purchasers, guarantors and insurers, including the GSEs, about the mortgage loans and the manner in which they were originated. Whole loan sale agreements require repurchase or substitute mortgage loans, or indemnify buyers against losses, in the event we breach these representations or warranties. In addition, we may be required to repurchase mortgage loans as a result of early payment default of the borrower on a mortgage loan, resulting in these mortgage loans being placed on our books and subjecting us to the risk of a potential default. With respect to loans that are originated through our broker or correspondent channels, the remedies available against the originating broker or correspondent, if any, may not be as broad as the remedies available to purchasers, guarantors and insurers of mortgage loans against us. We face further risk that the originating broker or correspondent, if any, may not have financial capacity to perform remedies that otherwise may be available. Therefore, if a purchaser, guarantor or insurer enforces its remedies against us, we may not be able to recover losses from the originating broker or correspondent. If repurchase and indemnity demands increase and such demands are valid claims and are in excess of our provision for potential losses, our liquidity, results of operations and financial condition may be adversely affected.

Our business is subject to interest rate risk and fluctuations in interest rates may adversely affect our earnings.

Fluctuations in interest rates may negatively affect our banking business and may weaken demand for some of our products. Our earnings and cash flows are largely dependent on net interest income, which is the difference between the interest income that we earn on interest earning assets, such as investment securities and loans, and the interest expense that we pay on interest-bearing liabilities, such as deposits and borrowings. Additionally, changes in interest rates also affect the premiums we may receive in connection with the sale of SBA (together, "U.S. government guaranteed") loans in the secondary market, pre-payment speeds of loans for which we own servicing rights, our ability to fund our operations with customer deposits and the fair value of securities in our investment portfolio. Therefore, any change in general market interest rates, including changes in federal fiscal and monetary policies can have a significant effect on our net interest income and results of operations.

We seek to mitigate our interest rate risk by entering into interest rate swaps and other interest rate derivative contracts from time to time with counterparties. Our hedging strategies rely on assumptions and projections regarding interest rates, asset levels and general market factors and subject us to counterparty risk. There is no assurance that our interest rate mitigation strategies will be successful and if our assumptions and projections prove to be incorrect or our hedging strategies do not adequately mitigate the impact of changes in interest rates, we may incur losses that could adversely affect our earnings.

Our interest earning assets and interest-bearing liabilities may react in different degrees to changes in market interest rates. Interest rates on some types of assets and liabilities may fluctuate prior to changes in broader market interest rates, while rates on other types of assets and liabilities may lag behind. The result of these changes to rates may cause differing spreads on interest earning assets and interest-bearing liabilities. Although we take measures intended to manage the risks from changes in market interest rates, we cannot control or accurately predict changes in market rates of interest or be sure our protective measures are adequate.

Interest rates are volatile and highly sensitive to many factors that are beyond our control, such as economic conditions and policies of various governmental and regulatory agencies, and, in particular U.S. monetary policy. For example, we face uncertainty regarding the interest rate risk, and resulting effect on our portfolio, that could result if the Federal Reserve reduces the amount of securities it holds on its balance sheet. In recent years, it has been the policy of the Federal Reserve to maintain interest rates at historically low levels through a targeted federal funds rate and the purchase of U.S. Treasury and mortgage-backed securities. As a result, yields on securities we have purchased, and market rates on the loans we have originated, have been at levels lower than were available prior to the Great Recession. Consequently, the average yield on banks' interest-earning assets has generally decreased during the current low interest rate environment. If a low interest rate environment persists, we may be unable to increase our net interest income.

As of December 31, 2017, we had $100.5 million of non-interest bearing transaction accounts and $308.2 million of interest-bearing transaction accounts. Current interest rates for interest-bearing accounts are very low due to current market conditions. However, we do not know what market rates will eventually be, especially as the Federal Reserve increases interest rates. If we need to offer higher interest rates on checking accounts to maintain current clients or attract new clients, our interest expense will increase, perhaps materially. Furthermore, if we fail to offer interest in a sufficient amount to keep these demand deposits, our core deposits may be reduced, which would require us to obtain funding in other ways or risk slowing our future asset growth.

The appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property, other real estate owned ("OREO") and other repossessed assets may not accurately describe the fair value of the asset.

In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and, as real estate values may change significantly in relatively short periods of time (especially in periods of heightened economic uncertainty), this estimate may not accurately describe the fair value of the real property collateral after the loan is made. As a result, we may not be able to realize the full amount of any remaining indebtedness when we foreclose on and sell the relevant property. In addition, we rely on appraisals and other valuation techniques to establish the value of our OREO and personal property that we acquire through foreclosure proceedings and to determine certain loan

impairments. If any of these valuations are inaccurate, our consolidated financial statements may not reflect the correct value of our OREO, and our allowance for loan and lease losses may not reflect accurate loan impairments. This could have a material adverse effect on our business, financial condition or results of operations. As of December 31, 2017, we had $437,000 in OREO.

A portion of our loan portfolio consists of syndicated loans, including syndicated loans known as shared national credits, secured by assets located [generally outside of our market area]. Syndicated loans may have a higher risk of loss than other loans we originate because we are not the lead lender and we have limited control over credit monitoring.

We have pursued a focused program to participate in select syndicated loans (loans made by a group of lenders, including us, who share or participate in a specific loan) with a larger regional financial institution as the lead lender. Syndicated loans are typically made to large businesses (which are referred to as shared national credits) or middle market companies (which do not meet the regulatory definition of shared national credits), both of which are secured by business assets or equipment, and commercial real estate located generally outside of our market area. Syndicated loans may have a higher risk of loss than other loans we originate because we rely on the lead lender to monitor the performance of the loan. Moreover, our decision regarding the classification of a syndicated loan and loan loss provisions associated with a syndicated loan are made in part based upon information provided by the lead lender. A lead lender also may not monitor a syndicated loan in the same manner as we would for other loans that we originate. If our underwriting of these syndicated loans is not sufficient, our non-performing loans may increase and our earnings may decrease.

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions, and in evaluating and monitoring our loan and lease portfolio on an ongoing basis, we may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. We may also rely on representations of those customers or counterparties or of other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate, incomplete, fraudulent or misleading financial statements, credit reports or other financial or business information, or the failure to receive such information on a timely basis, could result in loan losses, reputational damage or other effects that could have a material adverse effect on our business, financial condition or results of operations.

The value of the financial instruments we own may decline in the future.

As of December 31, 2017, we owned $52.9 million of investment securities, which consisted primarily of our positions in U.S. government and government-sponsored enterprises and federal agency obligations, mortgage and asset-backed securities and municipal securities. We evaluate our investment securities on at least a quarterly basis, and more frequently when economic and market conditions warrant such an evaluation, to determine whether any decline in fair value below amortized cost is the result of an other-than-temporary impairment. The process for determining whether impairment is other-than-temporary usually requires complex, subjective judgments about the future financial performance of the issuer in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers, we may be required to recognize other-than-temporary impairment in future periods, which could adversely affect our business, results of operations or financial condition.

In addition, an increase in market interest rates may affect the market value of our securities portfolio, potentially reducing accumulated other comprehensive income and/or earnings.

Concentrated exposures to individual obligors may unfavorably impact our operations.

We have cultivated relationships with certain individuals, businesses and institutions that could result in relatively large exposures to select single obligors. The failure to properly anticipate and address risks associated with any concentrated exposures could have a material adverse effect on our business, financial condition or results of operations.

Funding Risks

Liquidity risks could affect operations and jeopardize our business, financial condition and results of operations.

Liquidity risk is the risk that we will not be able to meet our obligations, including financial commitments, as they come due and is inherent in our operations. An inability to raise funds through deposits, borrowings, the sale of loans and/or investment securities and from other sources could have a substantial negative effect on our liquidity. Our most important source of funds consists of our customer deposits. Deposit balances can decrease for a variety of reasons, including when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments, we could lose a relatively low cost source of funds. This loss would require us to seek other funding alternatives, including wholesale funding, in order to continue to grow, thereby increasing our funding costs and reducing our net interest income and net income.

Other primary sources of funds consist of cash from operations and investment maturities, redemptions and sales. To a lesser extent, proceeds from the issuance and sale of securities to investors has become a source of funds and we may issue additional equity or debt securities following this offering. Additional liquidity is provided by brokered certificates of deposits and repurchase agreements and we have the ability to borrow from the Federal Reserve Bank of Philadelphia and the Federal Home Loan Bank of Pittsburgh ("FHLB"). We also may borrow from third party lenders from time to time. Our access to funding sources in amounts adequate to finance or capitalize our activities or on terms that are acceptable to us could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Economic conditions and a loss of confidence in financial institutions may increase our cost of funding and limit access to certain customary sources of capital, including inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve System. There is also the potential risk that collateral calls with respect to our repurchase agreements could reduce our available liquidity.

Any decline in available funding could adversely impact our ability to continue to implement our business plan, including originating loans, investing in securities, meeting our expenses or fulfilling obligations such as repaying our borrowings and meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations.

Following the formation of the holding company, our liquidity is dependent on dividends from Meridian Bank.

The holding company will be a legal entity separate and distinct from Meridian Bank, which will become our wholly-owned banking subsidiary. A substantial portion of our cash flow from operating activities, including cash flow to pay principal and interest on any debt we may incur, will come from dividends from Meridian Bank. Various federal and state laws and regulations limit the amount of dividends that the Bank may pay to our shareholders. For example, Pennsylvania law only permits Meridian Bank to pay dividends out of its net profits then on hand, after first deducting the Bank's losses and any debts owed to Meridian Bank on which interest is past due and unpaid for a period of six months or more, unless the same are well secured and in the process of collection. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

Loss of deposits could increase our funding costs.

As do many banking companies, we rely on customer deposits to meet a considerable portion of our funding needs, and we continue to seek customer deposits to maintain this funding base. We accept deposits directly from consumer and commercial customers and, as of December 31, 2017, we had $627.1 million in deposits. These deposits are subject to potentially dramatic fluctuations in availability or the price we must pay (in the form of interest) to obtain them due to certain factors outside our control, such as a loss of confidence by customers in us or the banking sector generally, customer perceptions of our financial health and general reputation, increasing competitive pressures from other financial services firms for consumer or corporate customer deposits, changes in interest rates and returns on other investment classes, which could result in significant outflows of deposits within short periods of time or significant changes in pricing necessary to maintain current customer deposits or attract additional deposits. The loss of customer deposits for any reason could increase our funding costs.

We may be adversely affected by changes in the actual or perceived soundness or condition of other financial institutions.

Financial services institutions that deal with each other are interconnected as a result of trading, investment, liquidity management, clearing, counterparty and other relationships. Concerns about, or a default by, one institution could lead to significant liquidity problems and losses or defaults by other institutions, as the commercial and financial soundness of many financial institutions is closely related as a result of these credit, trading, clearing and other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by various institutions. This systemic risk may adversely affect financial intermediaries with which we interact on a daily basis or key funding providers such as the FHLB, any of which could have a material adverse effect on our access to liquidity or otherwise have a material adverse effect on our business, financial condition or results of operations.

We may need to raise additional capital in the future, and such capital may not be available when needed or at all.

We may need to raise additional capital, in the form of debt or equity securities, in the future to have sufficient capital resources to meet our commitments and fund our business needs and future growth, particularly if the quality of our assets or earnings were to deteriorate significantly. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial condition. We may not be able to obtain capital on acceptable terms or at all. Any occurrence that may limit our access to capital, such as a decline in the confidence of debt purchasers, depositors of the Bank or counterparties participating in the capital markets or other disruption in capital markets, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Further, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would then have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on our business, financial condition or results of operations and could be dilutive to both tangible book value and our share price.

Operational Risks

We may not be able to implement our growth strategy or manage costs effectively, resulting in lower earnings or profitability.

There can be no assurance that we will be able to continue to grow and to be profitable in future periods, or, if profitable, that our overall earnings will remain consistent or increase in the future. Our strategy is focused on organic growth, supplemented by opportunistic acquisitions.

Our growth requires that we increase our loan and deposit growth while managing risks by following prudent loan underwriting standards without increasing interest rate risk or compressing our net interest margin, maintaining more than adequate capital at all times, hiring and retaining qualified employees and successfully implementing strategic projects and initiatives. Even if we are able to increase our interest income, our earnings may nonetheless be reduced by increased expenses, such as additional employee compensation or other general and administrative expenses and increased interest expense on any liabilities incurred or deposits solicited to fund increases in assets. Additionally, if our competitors extend credit on terms we find to pose excessive risks, or at interest rates, which we believe, do not warrant the credit exposure, we may not be able to maintain our lending volume and could experience deteriorating financial performance.

Our inability to manage our growth successfully or to continue to expand into new markets could have a material adverse effect on our business, financial condition or results of operations.

The occurrence of fraudulent activity, breaches or failures of our information security controls or cybersecurity-related incidents could have a material adverse effect on our business, financial condition or results of operations.

As a financial institution, we are susceptible to fraudulent activity, information security breaches and cybersecurity-related incidents that may be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Information security breaches and cybersecurity-related incidents may include fraudulent or unauthorized access to systems used by us or our clients, denial or degradation of service attacks, and malware or other cyberattacks. In recent periods, there continues to be a rise in electronic fraudulent activity, security breaches and cyberattacks within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts. Consistent with industry trends, we have also experienced an increase in attempted electronic fraudulent activity, security breaches and cybersecurity-related incidents in recent periods. Moreover, in recent periods, several large corporations, including financial institutions and retail companies, have suffered major data breaches, in some cases exposing not only confidential and proprietary corporate information, but also sensitive financial and other personal information of their customers and employees and subjecting them to potential fraudulent activity. Some of our clients may have been affected by these breaches, which could increase their risks of identity theft and other fraudulent activity that could involve their accounts with us.

We also face risks related to cyberattacks and other security breaches in connection with debit card transactions that typically involve the transmission of sensitive information regarding our customers through various third parties, including retailers and payment processors. Some of these parties have in the past been the target of security breaches and cyberattacks, and because the transactions involve third parties and environments such as the point of sale that we do not control or secure, future security breaches or cyberattacks affecting any of these third parties could affect us through no fault of our own, and in some cases we may have exposure and suffer losses for breaches or attacks relating to them, including costs to replace compromised debit cards and address fraudulent transactions.

Information pertaining to us and our customers is maintained, and transactions are executed, on networks and systems maintained by us and certain third party partners, such as our online banking or reporting systems. The secure maintenance and transmission of confidential information, as well as execution of transactions over these systems, are essential to protect us and our customers against fraud and security breaches and to maintain our customers' confidence. Breaches of information security also may occur, through intentional or unintentional acts by those having access to our systems or our customers' or counterparties' confidential information, including employees. In addition, increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third party technologies (including browsers and operating systems) or other developments could result in a compromise or breach of the technology, processes and controls that we use to prevent fraudulent transactions and to protect data about us, our customers and underlying transactions, as well as the technology used by our customers to access our systems. Although we have developed, and continue to invest in, systems and processes that are designed to detect and prevent security breaches and cyberattacks and periodically test our security, our or our third party partners' inability to anticipate, or failure to adequately mitigate, breaches of security could result in: losses to us or our customers; our loss of business and/or customers; damage to our reputation; the incurrence of additional expenses; disruption to our business; our inability to grow our online services or other businesses; additional regulatory scrutiny or penalties; or our exposure to civil litigation and possible financial liability—any of which could have a material adverse effect on our business, financial condition or results of operations.

More generally, publicized information concerning security and cyber-related problems could inhibit the use or growth of electronic or web-based applications or solutions as a means of conducting commercial transactions. Such publicity may also cause damage to our reputation as a financial institution. As a result, our business, financial condition or results of operations could be adversely affected.

We depend on information technology and telecommunications systems of third parties, and any systems failures, interruptions or data breaches involving these systems could adversely affect our operations and financial condition.

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems, third party servicers, accounting systems, mobile and online banking platforms and financial intermediaries. We outsource to third parties many of our major systems, such as data processing, loan servicing, deposit processing and internal audit systems. The failure of these systems, or the termination of a third party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third party systems, we could experience service denials if demand for such services exceeds capacity or such third party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to process loans or gather deposits and provide customer service, compromise our ability to operate effectively, result in potential noncompliance with applicable laws or regulations, damage our reputation, result in a loss of customer business and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. In addition, failure of third parties to comply with applicable laws and regulations, or fraud or misconduct on the part of employees of any of these third parties could disrupt our operations or adversely affect our reputation.

It may be difficult for us to replace some of our third party vendors, particularly vendors providing our core banking, debit card services and information services, in a timely manner if they are unwilling or unable to provide us with these services in the future for any reason and even if we are able to replace them, it may be at higher cost or result in the loss of customers. Any such events could have a material adverse effect on our business, financial condition or results of operations.

Our operations rely heavily on the secure processing, storage and transmission of information and the monitoring of a large number of transactions on a minute-by-minute basis, and even a short interruption in service could have significant consequences. We also interact with and rely on retailers, for whom we process transactions, as well as financial counterparties and regulators. Each of these third parties may be targets of the same types of fraudulent activity, computer break-ins and other cyber security breaches described above or herein, and the cyber security measures that they maintain to mitigate the risk of such activity may be different from our own and may be inadequate.

As a result of financial entities and technology systems becoming more interdependent and complex, a cyber incident, information breach or loss, or technology failure that compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including ourselves. Although we review business continuity and backup plans for our vendors and take other safeguards to support our operations, such plans or safeguards may be inadequate. As a result of the foregoing, our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact.

Our use of third party vendors and our other ongoing third party business relationships is subject to increasing regulatory requirements and attention.

Our use of third party vendors for certain information systems is subject to increasingly demanding regulatory requirements and attention by our federal bank regulators. Recent regulation requires us to enhance our due diligence, ongoing monitoring and control over our third party vendors and other ongoing third party business relationships. In certain cases, we may be required to renegotiate our agreements with these vendors to meet these enhanced requirements, which could increase our costs. We expect that our regulators will hold us responsible for deficiencies in our oversight and control of our third party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over our third party vendors or other ongoing third party business relationships or that such third parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect our business, financial condition or results of operations.

We continually encounter technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new, technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to serve customers better and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements than we do. We may not be able to effectively implement new, technology-driven products and services or be successful in marketing these products and services to our customers. In addition, the implementation of technological changes and upgrades to maintain current systems and integrate new ones may also cause service interruptions, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws. Failure to successfully keep pace with technological change affecting the financial services industry and failure to avoid interruptions, errors and delays could have a material adverse effect on our business, financial condition or results of operations.

We expect that new technologies and business processes applicable to the banking industry will continue to emerge, and these new technologies and business processes may be better than those we currently use. Because the pace of technological change is high and our industry is intensely competitive, we may not be able to sustain our investment in new technology as critical systems and applications become obsolete or as better ones become available. A failure to maintain current technology and business processes could cause disruptions in our operations or cause our products and services to be less competitive, all of which could have a material adverse effect on our business, financial condition or results of operations.

Current or former employee or predecessor misconduct could expose us to significant legal liability and reputational harm.

We are vulnerable to reputational harm because we operate in an industry in which integrity and the confidence of our customers are of critical importance. Our employees could engage, or our former directors, employees, or controlling shareholders could have engaged, in misconduct that adversely affects our business. For example, if such a person were to engage, or previously engaged, in fraudulent, illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation (as a consequence of the negative perception resulting from such activities), financial position, customer relationships and ability to attract new customers. Our business often requires that we deal with confidential information. If our employees were to improperly use or disclose this information, or if former directors, employees, or controlling shareholders previously improperly used or disclosed this information, even if inadvertently, we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. Misconduct by our employees or former directors, employees, or controlling shareholders, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our business, financial condition or results of operations.

We may not be able to attract and retain key personnel and other skilled employees.

Our success depends, in large part, on the skills of our management team and our ability to retain, recruit and motivate key officers and employees. There is a limited number of qualified persons with requisite knowledge of, and experience in, certain of our specialized business lines. A number of our employees have considerable tenure with Meridian Bank, which makes succession planning important to the continued operation of our business. We need to continue to attract and retain key personnel and to recruit qualified individuals who fit our culture to succeed existing key personnel to ensure the continued growth and successful operation of our business. Leadership changes may occur from time to time, and we cannot predict whether significant retirements or resignations will occur or whether we will be able to recruit additional qualified personnel. Competition for senior executives and skilled personnel in the financial services and banking industry is intense, which means the cost of hiring, incentivizing and retaining skilled personnel may continue to increase. This could have a material adverse effect on our business, financial condition or results of operations. In addition, our ability to effectively compete for senior executives and other qualified personnel by offering competitive compensation and benefit arrangements may be restricted by applicable banking laws and regulations, including restrictions recently proposed for adoption by U.S. regulatory agencies, including the Federal Reserve and the FDIC. The loss of the services of any senior executive or other key personnel,

the inability to recruit and retain qualified personnel in the future or the failure to develop and implement a viable succession plan, could have a material adverse effect on our business, financial condition or results of operations.

New lines of business, products, product enhancements or services may subject us to additional risks.

From time to time, we may implement new lines of business or offer new products and product enhancements as well as new services within our existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances in which the markets are not fully developed. In implementing, developing or marketing new lines of business, products, product enhancements or services, we may invest significant time and resources, although we may not assign the appropriate level of resources or expertise necessary to make these new lines of business, products, product enhancements or services successful or to realize their expected benefits. Further, initial timetables for the introduction and development of new lines of business, products, product enhancements or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also affect the ultimate implementation of a new line of business or offerings of new products, product enhancements or services. Furthermore, any new line of business, product, product enhancement or service or system conversion could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or offerings of new products, product enhancements or services could have a material adverse effect on our business, financial condition or results of operations.

External Risks

Our business may be adversely affected by conditions in the financial markets and economic conditions generally.

Our financial performance generally, and in particular the ability of our borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment in the markets in which we operate and in the United States as a whole. Unlike larger banks that are more geographically diversified, we provide banking and financial services to customers primarily in southeast Pennsylvania, Delaware and south New Jersey. The economic conditions in this local market may be different from, or worse than, the economic conditions in the United States as a whole. Some elements of the business environment that affect our financial performance include short-term and long-term interest rates, the prevailing yield curve, inflation and price levels, tax policy, monetary policy, unemployment and the strength of the domestic economy and the local economy in the markets in which we operate. Unfavorable market conditions can result in a deterioration in the credit quality of our borrowers and the demand for our products and services, an increase in the number of loan delinquencies, defaults and charge-offs, additional provisions for loan and lease losses, adverse asset values and an overall material adverse effect on the quality of our loan and lease portfolio. Unfavorable or uncertain economic and market conditions can be caused by, among other factors, declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; changes in inflation or interest rates; increases in real estate and other state and local taxes; high unemployment; natural disasters; or a combination of these or other factors.

Our business is significantly dependent on the real estate markets in which we operate, as a significant percentage of our loan portfolio is secured by real estate or mortgage loans originated for sale.

Many of the loans in our portfolio are secured by real estate. As of December 31, 2017, our real estate loans, excluding mortgages held for sale, include $98.1 million of construction and development loans, $84.0 million of home equity loans, $268.1 million of commercial real estate ("CRE") loans and $32.4 million of residential mortgage loans, with the majority of these real estate loans concentrated in the southeast Pennsylvania, Delaware and south New Jersey. Real property values in our market may be different from, and in some instances worse than, real property values in other markets or in the United States as a whole, and may be affected by a variety of factors outside of our control and the control of our borrowers, including national and local economic conditions, generally. Southeast Pennsylvania, Delaware and south New Jersey has experienced volatility in real estate values over the past decade. Declines in real estate values, including prices for homes and commercial properties in southeast Pennsylvania, Delaware and south New Jersey, could result in a deterioration of the credit quality of our borrowers, an increase in the number of loan delinquencies, defaults and charge-offs, and reduced demand for our products and services, generally. Our CRE loans may have a greater risk of loss than residential mortgage loans, in part because these loans are

generally larger or more complex to underwrite. In particular, real estate construction and acquisition and development loans have certain risks not present in other types of loans, including risks associated with construction cost overruns, project completion risk, general contractor credit risk and risks associated with the ultimate sale or use of the completed construction. In addition, declines in real property values in the states in which we operate could reduce the value of any collateral we realize following a default on these loans and could adversely affect our ability to continue to grow our loan and lease portfolio consistent with our underwriting standards. We may have to foreclose on real estate assets if borrowers default on their loans, in which case we are required to record the related asset to the then fair market value of the collateral, which may ultimately result in a loss. An increase in the level of nonperforming assets increases our risk profile and may affect the capital levels regulators believe are appropriate in light of the ensuing risk profile. Our failure to effectively mitigate these risks could have a material adverse effect on our business, financial condition or results of operations.

Our small business customers may lack the resources to weather a downturn in the economy.

One of our primary strategies is serving the banking and financial services needs of small and medium sized businesses. These businesses generally have fewer financial resources than larger entities and less access to capital sources and loan facilities. If economic conditions are generally unfavorable in our market areas, our small business borrowers may be disproportionately affected and their ability to repay outstanding loans may be negatively affected, resulting in an adverse effect on our results of operations and financial condition.

We operate in a highly competitive and changing industry and market area and compete with both banks and non-banks.

We operate in the highly competitive financial services industry and face significant competition for customers from financial institutions located both within and beyond our principal markets. We compete with national commercial banks, regional banks, private banks, savings banks, credit unions, non-bank financial services companies and other financial institutions operating within or near the areas we serve, many of whom target the same customers we do in southeast Pennsylvania, Delaware and south New Jersey. As customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for banks to expand their geographic reach by providing services over the Internet and for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. The banking industry is experiencing rapid changes in technology, and, as a result, our future success will depend in part on our ability to address our customers' needs by using technology. Customer loyalty can be influenced by a competitor's new products, especially offerings that could provide cost savings or a higher return to the customer. Increased lending activity of competing banks following the Great Recession has also led to increased competitive pressures on loan rates and terms for high-quality credits. We may not be able to compete successfully with other financial institutions in our markets, particularly with larger financial institutions operating in our markets that have significantly greater resources than us, and we may have to pay higher interest rates to attract deposits, accept lower yields to attract loans and pay higher wages for new employees, resulting in lower net interest margins and reduced profitability. Many of our non-bank competitors are not subject to the same extensive regulations that govern our activities and may have greater flexibility in competing for business. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. In addition, some of our current commercial banking customers may seek alternative banking sources as they develop needs for credit facilities larger than we may be able to accommodate or more expansive product mixes offered by larger institutions. We also face increased competition in our U.S. government guaranteed lending business which can adversely affect our volume and the premium, if any, recognized on sales of the guaranteed portions of such U.S. government guaranteed loans. Our inability to compete successfully in the markets in which we operate could have a material adverse effect on our business, financial condition or results of operations.

Our ability to maintain, attract and retain customer relationships is highly dependent on our reputation.

We rely, in part, on the reputation of the Bank to attract customers and retain our customer relationships. Damage to our reputation could undermine the confidence of our current and potential customers in our ability to provide high-quality financial services. Such damage could also impair the confidence of our counterparties and vendors and ultimately affect our ability to effect transactions. Maintenance of our reputation depends not only on our success in maintaining our service-focused culture and controlling and mitigating the various risks described in this Annual

Report on Form 10-K, but also on our success in identifying and appropriately addressing issues that may arise in areas such as potential conflicts of interest, anti-money laundering, customer personal information and privacy issues, customer and other third party fraud, record-keeping, regulatory investigations and any litigation that may arise from the failure or perceived failure of us to comply with legal and regulatory requirements. Maintaining our reputation also depends on our ability to successfully prevent third parties from infringing on the "Meridian Bank" brand and associated trademarks and our other intellectual property. Defense of our reputation, trademarks and other intellectual property, including through litigation, could result in costs that could have a material adverse effect on our business, financial condition or results of operations.

Severe weather, natural disasters, pandemics, acts of war or terrorism or other external events could significantly impact our business.

Severe weather, natural disasters, widespread disease or pandemics, acts of war or terrorism or other adverse external events could have a significant impact on our ability to conduct business. In addition, such events could affect the stability of our deposit base; impair the ability of borrowers to repay outstanding loans and leases, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue or cause us to incur additional expenses. The occurrence of any of these events in the future could have a material adverse effect on our business, financial condition or results of operations.

Legal, Accounting and Compliance Risks

Our accounting estimates and risk management processes and controls rely on analytical and forecasting techniques and models and assumptions, which may not accurately predict future events.

Our accounting policies and methods are fundamental to the manner in which we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with GAAP and reflect management's judgment of the most appropriate manner to report our financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet which may result in our reporting materially different results than would have been reported under a different alternative.

Certain accounting policies are critical to presenting our financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting policies include the allowance for loan and lease losses. See Note 1 of Meridian's Consolidated Financial Statements as of and for the years ended December 31, 2017 and 2016 for further information. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for loan losses or sustain loan losses that are significantly higher than the reserve provided; or reduce the carrying value of an asset measured at fair value. Any of these could have a material adverse effect on our business, financial condition or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Our internal controls, disclosure controls, processes and procedures, and corporate governance policies and procedures are based in part on certain assumptions and can provide only reasonable (not absolute) assurances that the objectives of the system are met. Furthermore, we currently outsource our internal audit function. Any failure or circumvention of our controls, processes and procedures or failure to comply with regulations related to controls, processes and procedures could necessitate changes in those controls, processes and procedures, which may increase our compliance costs, divert management attention from our business or subject us to regulatory actions and increased regulatory scrutiny. Any of these could have a material adverse effect on our business, financial condition or results of operations.

Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition.

From time to time, the FASB and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. As a result of changes to financial accounting or reporting standards, whether promulgated or required by the FASB or other regulators, we could be required to change certain of the assumptions or estimates we have previously used in preparing our financial statements, which could negatively affect how we record and report our results of operations and financial condition generally. For example, in 2016, the FASB approved a new accounting standard that would require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets, which will be effective in 2020, or if we remain an emerging growth company and continue to elect not to opt out of the extended transition period for new accounting standards, 2021. This new standard will result in changes to our accounting presentation and could adversely affect our balance sheet.

The banking industry is highly regulated, and the regulatory framework, together with any future legislative or regulatory changes, may have a significant adverse effect on our operations.

The banking industry is extensively regulated and supervised under both federal and state laws and regulations that are intended primarily for the protection of depositors, customers, federal deposit insurance funds and the banking system as a whole, not for the protection of our shareholders and creditors. The holding company will be subject to regulation and supervision by the Federal Reserve, and we are subject to regulation and supervision by the FDIC and the PDBS. The laws and regulations applicable to us govern a variety of matters, including permissible types, amounts and terms of loans and investments we may make, the maximum interest rate that may be charged, the amount of reserves we must hold against deposits we take, the types of deposits we may accept, maintenance of adequate capital and liquidity, changes in the control of us, restrictions on dividends and establishment of new offices. We must obtain approval from our regulators before engaging in certain activities, and there is the risk that such approvals may not be obtained, either in a timely manner or at all. Our regulators also have the ability to compel us to take certain actions, or restrict us from taking certain actions entirely, such as actions that our regulators deem to constitute an unsafe or unsound banking practice. Our failure to comply with any applicable laws or regulations, or regulatory policies and interpretations of such laws and regulations, could result in sanctions by regulatory agencies, civil money penalties or damage to our reputation, all of which could have a material adverse effect on our business, financial condition or results of operations.

Since the Great Recession, federal and state banking laws and regulations, as well as interpretations and implementations of these laws and regulations, have undergone substantial review and change. In particular, the Dodd-Frank Act drastically revised the laws and regulations under which we operate. As an institution with less than $10 billion in assets, certain elements of the Dodd-Frank Act have not been applied to us. While we endeavor to maintain safe banking practices and controls beyond the regulatory requirements applicable to us, our internal controls may not match those of larger banking institutions that are subject to increased regulatory oversight.

Financial institutions generally have also been subjected to increased scrutiny from regulatory authorities. These changes and increased scrutiny have resulted and may continue to result in increased costs of doing business and may in the future result in decreased revenues and net income, reduce our ability to compete effectively to attract and retain customers, or make it less attractive for us to continue providing certain products and services. Any future changes in federal and state laws and regulations, as well as the interpretation and implementation of such laws and regulations, could affect us in substantial and unpredictable ways, including those listed above or other ways that could have a material adverse effect on our business, financial condition or results of operations. Recent political developments, including the change in administration in the United States, have increased additional uncertainty to the implementation, scope and timing of regulatory reforms.

There is uncertainty surrounding the potential legal, regulatory and policy changes by the new presidential administration in the U.S. that may directly affect financial institutions and the global economy.

The new presidential administration has indicated that it would like to see changes made to certain financial reform regulations, including the Dodd-Frank Act, which has resulted in increased regulatory uncertainty, and we are assessing the potential impact on financial and economic markets and on our business. Changes in federal policy and

at regulatory agencies are expected to occur over time through policy and personnel changes, which could lead to changes involving the level of oversight and focus on the financial services industry. The nature, timing, economic, and political effects of potential changes to the current legal and regulatory framework affecting financial institutions remain highly uncertain. At this time, it is unclear what laws, regulations and policies may change and whether future changes or uncertainty surrounding future changes will adversely affect our operating environment and therefore our business, financial condition and results of operations.

We are subject to capital adequacy requirements and may be subject to more stringent capital requirements.

We are subject to capital adequacy guidelines and other regulatory requirements specifying minimum amounts and types of capital that we must maintain. From time to time, the regulators change these regulatory capital adequacy and liquidity guidelines. If we fail to meet these minimum capital adequacy and liquidity guidelines and other regulatory requirements, we or our subsidiaries may be restricted in the types of activities we may conduct and we may be prohibited from taking certain capital actions, such as paying dividends and repurchasing or redeeming capital securities. See “Supervision and Regulation—Regulatory Capital Requirements” for more information on the capital adequacy standards that we must meet and maintain.

In particular, the capital adequacy and liquidity requirements applicable to Meridian Bank and the holding company, when formed and we exceed $1 billion in assets, under the recently adopted capital rules implementing the Basel III capital framework in the United States (the “Capital Rules”) began to be phased-in starting in 2015. Basel III not only increases most of the required minimum regulatory capital ratios, it introduces a new Common Equity Tier 1 capital ratio and the concept of a capital conservation buffer. Basel III also expands the current definition of capital by establishing additional criteria that capital instruments must meet to be considered Additional Tier 1 and Tier 2 capital. In order to be a “well-capitalized” depository institution under the new regime, an institution must maintain a Common Equity Tier 1 capital ratio of 6.5% or more; a Tier 1 capital ratio of 8% or more; a total capital ratio of 10% or more; and a leverage ratio of 5% or more. Institutions must also maintain a capital conservation buffer consisting of common equity Tier 1 capital. The Basel III rules also generally preclude certain hybrid securities, such as trust-preferred securities, from being counted as Tier 1 capital. However, we are permitted to include qualifying trust-preferred securities issued prior to May 19, 2010 as Additional Tier 1 capital. The Basel III Capital Rules became effective as applied to us and Meridian Bank on January 1, 2015 with a phase-in period that generally extends through January 1, 2019 for many of the changes.

While we currently meet the requirements of the Basel III-based Capital Rules, we may fail to do so in the future. The failure to meet applicable regulatory capital requirements could result in one or more of our regulators placing limitations or conditions on our activities, including our growth initiatives, or restricting the commencement of new activities, and could affect customer and investor confidence, our costs of funds and level of required deposit insurance assessments to the FDIC, our ability to pay dividends on our capital stock, our ability to make acquisitions, and our business, results of operations and financial conditions, generally.

Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market purchases and sales of U.S. government securities, adjustments of the discount rate and changes in banks’ reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted.

Federal and state regulators periodically examine our business, and we may be required to remediate adverse examination findings.

The FDIC and the PDBS and, subsequent to the holding company formation transaction, the Federal Reserve periodically examine our business, including our compliance with laws and regulations. If, as a result of an examination, a banking agency were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we or our predecessor were in violation of any law or regulation, they may take a number of different remedial actions as they deem appropriate. These actions include the power to enjoin "unsafe or unsound" practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil money penalties, to fine or remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance and place the Bank into receivership or conservatorship. Any regulatory action against us could have an adverse effect on our business, financial condition and results of operations.

Our ability to pay dividends may be limited and we do not intend to pay cash dividends on our common stock in the foreseeable future; consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

Holders of our common stock are entitled to receive only such dividends as our board of directors may declare out of funds legally available for such payments. We expect that we will retain all earnings, if any, for operating capital, and we do not expect our board of directors to declare any dividends on our common stock in the foreseeable future. Even if we have earnings in an amount sufficient to pay cash dividends, our board of directors may decide to retain earnings for the purpose of financing growth. We cannot assure you that cash dividends on our common stock will ever be paid.

In addition, our ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the federal and state bank regulators regarding capital adequacy and dividends.

Further, if we are unable to satisfy the capital requirements applicable to us for any reason, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common stock in the event we decide to declare dividends. Any change in the level of our dividends or the suspension of the payment thereof could have a material adverse effect on the market price of our common stock.

We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act of 1977 ("CRA") requires the Bank, consistent with safe and sound operations, to ascertain and meet the credit needs of its entire community, including low and moderate income areas. Our bank's failure to comply with the CRA could, among other things, result in the denial or delay of certain corporate applications filed by us, including applications for branch openings or relocations and applications to acquire, merge or consolidate with another banking institution or holding company. In addition, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations prohibit discriminatory lending practices by financial institutions. The U.S. Department of Justice, federal banking agencies, and other federal agencies are responsible for enforcing these laws and regulations. A challenge to an institution's compliance with fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Rulemaking changes implemented by the Consumer Financial Protection Bureau ("CFPB") may result in higher regulatory and compliance costs that could adversely affect our results of operations.

The Dodd-Frank Act created a new, independent federal agency, the CFPB, which was granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws. The consumer protection provisions of the Dodd-Frank Act and the examination, supervision and enforcement of those laws and implementing regulations by the CFPB have created a more intense and complex environment for consumer finance regulation. See "Supervision and Regulation—Consumer Financial Protection". Notwithstanding that insured depository institutions with assets of $10 billion or less (such as Meridian Bank) will continue to be supervised and examined by their primary federal regulators, the ultimate impact of this heightened scrutiny is uncertain and could result in changes to pricing, practices, products and procedures. It could also result in increased costs related to regulatory oversight, supervision and examination, remediation efforts and possible penalties.

Litigation and regulatory actions, including possible enforcement actions, could subject us to significant fines, penalties, judgments or other requirements resulting in increased expenses or restrictions on our business activities.

Our business is subject to increased litigation and regulatory risks as a result of a number of factors, including the highly regulated nature of the financial services industry and the focus of state and federal prosecutors on banks and the financial services industry generally. This focus has only intensified since the Great Recession, with regulators and prosecutors focusing on a variety of financial institution practices and requirements, including foreclosure practices, compliance with applicable consumer protection laws, classification of "held for sale" assets and compliance with anti-money laundering statutes, the Bank Secrecy Act and sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC").

In the normal course of business, from time to time, we have in the past and may in the future be named as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our current and/or prior business activities. Legal actions could include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. In addition, while the arbitration provisions in certain of our customer agreements historically have limited our exposure to consumer class action litigation, there can be no assurance that we will be successful in enforcing our arbitration clause in the future. Further, we have in the past, and may in the future be subject to consent orders with our regulators. We may also, from time to time, be the subject of subpoenas, requests for information, reviews, investigations and proceedings (both formal and informal) by governmental agencies regarding our current and/or prior business activities. Any such legal or regulatory actions may subject us to substantial compensatory or punitive damages, significant fines, penalties, obligations to change our business practices or other requirements resulting in increased expenses, diminished income and damage to our reputation. Our involvement in any such matters, whether tangential or otherwise and even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. Further, any settlement, consent order or adverse judgment in connection with any formal or informal proceeding or investigation by government agencies may result in litigation, investigations or proceedings as other litigants and government agencies begin independent reviews of the same activities. As a result, the outcome of legal and regulatory actions could be material to our business, results of operations, financial condition and cash flows depending on, among other factors, the level of our earnings for that period, and could have a material adverse effect on our business, financial condition or results of operations.

Non-compliance with the USA PATRIOT Act, the Bank Secrecy Act or other laws and regulations could result in fines or sanctions against us.

The USA PATRIOT Act of 2001 and the Bank Secrecy Act require financial institutions to design and implement programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the Financial Crimes Enforcement Network of the U.S. Department of the Treasury. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Federal and state bank regulators also have focused on compliance with Bank Secrecy Act and anti-money laundering regulations. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. In recent years, several banking institutions have received large fines for non-compliance with these laws and regulations. While we have developed policies and procedures designed to assist

in compliance with these laws and regulations, these policies and procedures may not be effective in preventing violations of these laws and regulations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us, which could have a material adverse effect on our business, financial condition or results of operations.

Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities.

We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively affected by these laws. For example, our business is subject to the Gramm-Leach-Bliley Act which, among other things: (i) imposes certain limitations on our ability to share nonpublic personal information about our customers with nonaffiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to "opt out" of any information sharing by us with nonaffiliated third parties (with certain exceptions) and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Moreover, legislators and regulators in the United States are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer or employee information, and some of our current or planned business activities. This could also increase our costs of compliance and business operations and could reduce income from certain business initiatives. This includes increased privacy-related enforcement activity at the federal level, by the Federal Trade Commission and CFPB, as well as at the state level, such as with regard to mobile applications.

Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) affecting customer or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions or results of operations. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to our reputation, which could have a material adverse effect on our business, financial condition or results of operations.

Potential limitations on incentive compensation contained in proposed federal agency rulemaking may adversely affect our ability to attract and retain our highest performing employees.

During the second quarter of 2016, the Federal Reserve and the FDIC, along with other U.S. regulatory agencies, jointly published proposed rules designed to implement provisions of the Dodd-Frank Act prohibiting incentive compensation arrangements that would encourage inappropriate risk taking at covered financial institutions, which includes a bank or bank holding company with $1 billion or more in assets. Meridian Bank has not yet reached this threshold. It cannot be determined at this time whether or when a final rule will be adopted and whether compliance with such a final rule will substantially affect the manner in which we structure compensation for our executives and other employees. Depending on the nature and application of the final rules, we may not be able to compete successfully with certain financial institutions and other companies that are not subject to some or all of the rules to retain and attract executives and other high performing employees. If this were to occur, relationships that we have established with our clients may be impaired and our business, financial condition and results of operations could be adversely affected, perhaps materially.

We are subject to environmental liability risk associated with our lending activities and with the property we own.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans and there is a risk that hazardous or toxic substances could be found on these properties, notwithstanding our prior due diligence. We also own our corporate headquarters and it is possible that hazardous or toxic substances could be found on this property. If hazardous or toxic substances

are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Acquisition Activity

We may be adversely affected by risks associated with completed and potential acquisitions, including execution risks, failure to realize anticipated transaction benefits, and failure to overcome integration risks, which could adversely affect our growth and profitability.

We plan to grow our businesses organically but remain open to considering potential smaller bank or other acquisition opportunities that fit within the deposit strength and commercial orientation of our franchise and that we believe support our businesses and make financial and strategic sense. In the event that we do pursue acquisitions, we may have difficulty executing on acquisitions and may not realize the anticipated benefits of any transaction we complete. Any of the foregoing matters could materially and adversely affect us.

Generally, any acquisition of target financial institutions, branches or other banking assets by us will require approval by, and cooperation from, a number of governmental regulatory agencies, possibly including the Federal Reserve and the FDIC as well as the PDBS. In evaluating applications seeking approval of acquisitions, such regulators consider factors such as, among other things, the competitive effect and public benefits of the transaction, the capital position and managerial resources of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the CRA, the applicant's compliance with fair housing and other consumer protection laws and the effectiveness of all organizations involved in combating money laundering activities. Such regulators could deny our application, which would restrict our growth, or the regulatory approvals may not be granted on terms that are acceptable to us. For example, we could be required to sell branches as a condition to receiving regulatory approvals, and such a condition may not be acceptable to us or may reduce the benefit of an acquisition.

As to any acquisition that we complete, including the wealth acquisition, which took place in April 2017, we may fail to realize some or all of the anticipated transaction benefits if the integration process takes longer, is more costly than expected, or otherwise fails to meet our expectations.

In addition, acquisition activities could be material to our business and involve a number of risks, including the following:

- incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, resulting in our attention being diverted from the operation of our existing business;
- using inaccurate estimates and judgments to evaluate credit, operations, management and market risks with respect to the target institution or assets;
- actual results of the acquired business may vary significantly from projected results;
- intense competition from other banking organizations and other inquirers for acquisitions, causing us to lose opportunities or overpay for acquisitions;
- potential exposure to unknown or contingent liabilities of banks and businesses we acquire;
- unexpected asset quality problems;
- the time and expense required to integrate the operations of the combined businesses, including the integration or replacement of information technology and other systems;
- difficulties in integrating and retaining employees of acquired businesses;

- higher operating expenses relative to operating income from the new operations;
- creating an adverse short term effect on our results of operations;
- losing key employees or customers as a result of an acquisition that is poorly received;
- significant problems relating to the conversion of the financial and customer data of the entity;
- integration of acquired customers into our financial and customer product systems;
- risk of assuming businesses with internal control deficiencies; or
- risks of impairment to goodwill or other assets.

Depending on the condition of any institution or assets or liabilities that we may acquire, that acquisition may, at least in the near term, adversely affect our capital and earnings and, if not successfully integrated with our organization, may continue to have such effects over a longer period. We may not be successful in overcoming these risks or any other problems encountered in connection with potential acquisitions, and any acquisition we may consider will be subject to prior regulatory approval.

Also, acquisitions may involve the payment of a premium over book and market values and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Our inability to overcome these risks could have a material adverse effect on our profitability, return on equity and return on assets, our ability to implement our business strategy and enhance shareholder value, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Common Stock

Our stock price may be volatile, and you could lose part or all of your investment as a result.

Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. Our stock price may fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated variations in our quarterly results of operations;
- recommendations or research reports about us or the financial services industry in general published by securities analysts;
- the failure of securities analysts to cover, or continue to cover, us after this offering;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry;
- perceptions in the marketplace regarding us, our competitors or other financial institutions;
- future sales of our common stock;
- departure of our management team or other key personnel;
- new technology used, or services offered, by competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- changes or proposed changes in laws or regulations, or differing interpretations thereof affecting our business, or enforcement of these laws and regulations;
- litigation and governmental investigations; and
- geopolitical conditions such as acts or threats of terrorism or military conflicts.

If any of the foregoing occurs, it could cause our stock price to fall and may expose us to litigation that, even if our defense is successful, could distract our management and be costly to defend. General market fluctuations, industry factors and general economic and political conditions and events—such as economic slowdowns or recessions, interest rate changes or credit loss trends—could also cause our stock price to decrease regardless of operating results.

We are an emerging growth company within the meaning of the Securities Act of 1933 (the "Securities Act") and because we have decided to take advantage of certain exemptions from various reporting and other requirements applicable to emerging growth companies, our common stock could be less attractive to investors.

For as long as we remain an "emerging growth company", as defined in the JOBS Act, we will have the option to take advantage of certain exemptions from various reporting and other requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), being permitted to have an extended transition period for adopting any new or revised accounting standards that may be issued by the Financial Accounting Standards Board or the SEC reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We have elected to, and expect to continue to, take advantage of certain of these and other exemptions until we are no longer an emerging growth company. If we do so, we will prominently disclose this decision in the first periodic report following our decision, and such decision is irrevocable. Although the JOBS Act allowed us to present only two years of audited financial statements and only two years of related management's discussion and analysis of financial condition and results of operations, we elected to provide five years of selected financial data.

We will remain an emerging growth company until the earliest of (i) the end of the fiscal year during which we have total annual gross revenues of $1,070,000,000 or more, (ii) the end of the fiscal year following the fifth anniversary of the completion of this offering, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt, and (iv) the end of the first fiscal year in which (A) the market value of our equity securities that are held by non-affiliates exceeds $700 million as of June 30 of that year, (B) we have been a public reporting company under the Securities Exchange Act of 1934 (the "Exchange Act") for at least twelve calendar months and (C) we have filed at least one annual report on Form 10-K.

Because we have elected to use the extended transition period for complying with new or revised accounting standards for an "emerging growth company" our financial statements may not be comparable to companies that comply with these accounting standards as of the public company effective dates.

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 7(a)(2)(B) of the Securities Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with these accounting standards as of the public company effective dates. Consequently, our financial statements may not be comparable to companies that comply with public company effective dates. Because our financial statements may not be comparable to companies that comply with public company effective dates, investors may have difficulty evaluating or comparing our business, performance or prospects in comparison to other public companies, which may have a negative impact on the value and liquidity of our common stock. We cannot predict if investors will find our common stock less attractive because we plan to rely on this exemption. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Certain banking laws and certain provisions of our articles of incorporation may have an anti-takeover effect.

Provisions of federal banking laws, including regulatory approval requirements, could make it difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. Acquisition of 10% or more of any class of voting stock of a bank holding company or depository institution, including shares of our common stock following completion of this offering, generally creates a rebuttable presumption that the acquirer "controls" the bank holding company or depository institution. Also, a bank holding company must obtain the prior

approval of the Federal Reserve before, among other things, acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank, including the Bank.

There also are provisions in our articles of incorporation and our bylaws, such as limitations on the ability to call a special meeting of our shareholders that may be used to delay or block a takeover attempt. In addition, our board of directors will be authorized under our articles of incorporation to issue shares of our preferred stock, and determine the rights, terms conditions and privileges of such preferred stock, without shareholder approval. These provisions may effectively inhibit a non-negotiated merger or other business combination, which, in turn, could have a material adverse effect on the market price of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Meridian Bank is headquartered in Malvern and has six full-service branches. Its main branch, in Paoli, serves the Main Line. The West Chester and Media branches serve Chester and Delaware counties, respectively, while the Doylestown and Blue Bell branches serve Bucks and Montgomery counties. The Philadelphia branch opened December 2017. In addition to our deposit taking branches, there are currently 16 other offices, including commercial loan production offices and headquarters for Corporate, the Wealth Division and the Mortgage Division. Other than our corporate headquarters, all of our offices are leased. The Bank had a net book value of $5.8 million for all locations at December 31, 2017.

Branch locations:

- Paoli Branch – 1176 Lancaster Avenue, Paoli, PA 19301
- West Chester Branch – 16 W. Market Street, West Chester, PA 19382
- Media Branch – 100 E. State Street, Media, PA 19063
- Doylestown Branch – 1719A S. Easton Road, Doylestown, PA 18901
- Blue Bell Branch – 653 Skippack Pike, Ste. 116, Blue Bell, PA 19422
- Philadelphia Branch – 1760 Market Street, Philadelphia, PA 19103

Other offices:

- Corporate Headquarters – 9 Old Lincoln Highway, Malvern, PA 19355
- Mortgage Headquarters – 653 Skippack Pike, Suite 200, Blue Bell, PA 19462
- Meridian Wealth Office – 653 Skippack Pike, Suite 200, Blue Bell, PA 19462
- Mortgage Loan Production Office – 1601 Concord Pike, Suite 45, Wilmington, DE 19803
- Mortgage Loan Production Office – 5301 Limestone Road, Suite 202, Wilmington, DE 19801
- Mortgage Loan Production Office – 22128 Sussex Highway, Seaford, DE 19973
- Mortgage Loan Production Office – 111 Continental Drive, Suite 406, Newark, DE 19713
- Mortgage Loan Production Office – 1215 Manor Drive, Mechanicsburg, PA 17055
- Mortgage Loan Production Office – 350 Highland Drive, Suite 160, Mountville, PA 17554
- Mortgage Loan Production Office – 1000 Crawford Place, Mt. Laurel, NJ 08054
- Mortgage Loan Production Office – 2330 New Road, Northfield, NJ 08225
- Mortgage Loan Production Office – One Neshaminy Interplex, Trevose, PA 19053

- Mortgage Loan Production Office – 1909 Veterans Highway, Levittown, PA 19056
- Mortgage Loan Production Office – 711 Spring Street, Wyomissing, PA 19610
- Mortgage Loan Production Office – 347 2nd Street, Suite 4, Southampton, PA 18966
- Mortgage Loan Production Office – 1221 College Park Drive, Suite 118, Dover, DE 19904
- Commercial Loan Office – 20 Commerce Drive, Wyomissing, PA 19610

Item 3. Legal Proceedings

On October 31, 2017, two former employees of the mortgage-banking division of the Bank filed suit in the Philadelphia Court of Common Pleas, *Weissenberg et al. v. Meridian Bank*, against the Bank seeking unpaid commissions pursuant to a breach of contract claim and liquidated damages under the Pennsylvania Wage Payment and Collection Law. The aggregate amount of such damages set forth in the complaint was approximately $325,000. The plaintiffs also sought reimbursement for their attorneys' fees and costs. The Bank settled the claim in the fourth quarter of 2017 for damages in the amount of $137,000, with accrued and unbilled legal expenses capped at Meridian's insurance deductible of $50,000. Based on the settled claim and insurance policy in place, total expense related to the claim will not exceed $187,000

On November 21, 2017, three former employees of the mortgage-banking division of the Bank filed suit in the United States District Court for the Eastern District of Pennsylvania, *Juan Jordan et al. v. Meridian Bank, Thomas Campbell and Christopher Annas*, against the Bank purporting to be a class and collective action seeking unpaid and overtime wages under the Fair Labor Standards Act of 1938, the New Jersey Wage and Hour Law, and the Pennsylvania Minimum Wage Act of 1968 on behalf of similarly situated plaintiffs. In February 2018, the Bank answered the complaint and presented affirmative defenses. In March 2018, plaintiffs' counsel and the Bank agreed to move forward with non-binding mediation. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, success on the merits, the Bank cannot estimate the reasonable possible loss or range of loss that may result from this action. Additionally, the Bank's estimate may change from time to time, and actual losses could vary.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Shares of our common stock began trading on the NASDAQ Global Select Market under the symbol "MRBK" on November 7, 2017. Prior to November 7, 2017, there was no established public trading market for our common stock. Since that date, the price per share of our common stock in U.S. dollars has ranged from a low of $17.00 per share to a high of $21.37 per share. As of March 12, 2018, there were approximately 335 holders of record of our common stock.

On November 7, 2017, Meridian Bank closed an underwritten public offering of 2,352,941 shares of its common stock at a price to the public of $17.00 per share. In addition, on November 10, 2017, the underwriters exercised their option to purchase an additional 352,941 shares offered by the Bank for a total issuance of 2,705,882 shares. The gross proceeds of the offering, before deducting underwriting discounts and commissions and other offering expenses, was approximately $46.0 million. The total aggregate underwriting discount was $3,105,000. All shares were issued under the exemption from registration provided by Section 3(a)(2) of the Securities Act of 1933, as amended. Meridian Bank is a Pennsylvania state-chartered bank.

Following our initial public offering, the Bank used the net proceeds to repurchase all 12,845 outstanding shares, with a liquidation preference $1,000, of our Series 2009A Preferred Stock, Series 2009B Preferred Stock, and Series 2009C Preferred Stock. Total redemption cost was approximately $12.9 million, which included $96 thousand of accrued dividends.

Dividend Policy

The Bank has not paid any cash dividends on its common stock and has no plans to pay cash dividends during 2018. Dividend payments by the Bank are subject to legal and regulatory limitations. The ability of the Bank to pay dividends is also subject to profitability, financial condition, capital expenditures and other cash flow requirements.

Item 6. Selected Financial Data

Selected historical consolidated financial information

The following table should be read in conjunction with our Consolidated Financial Statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," each of which is included elsewhere in this Annual Report on Form 10-K.

(Dollars in thousands, except per share data)	**As of and for the Years Ended December 31,**				
	2017	**2016**	**2015**	**2014**	**2013**
Selected Period End Balance Sheet Data:					
Cash and cash equivalents	$ 35,506	$ 18,872	$ 19,159	$ 10,330	$ 11,407
Investment securities	52,867	47,552	39,739	30,913	30,495
Loans receivable, gross	729,661	643,864	584,428	525,892	440,273
Loans held for sale	35,024	39,573	83,684	45,065	34,992
Allowance for loans losses	(6,709)	(5,425)	(5,298)	(5,008)	(4,084)
Goodwill and intangible assets, net	5,495	-	-	-	-
Total assets	856,035	733,693	663,344	582,208	500,668
Interest-bearing deposits	526,655	431,034	430,068	422,331	351,423
Total deposits	627,109	527,136	490,568	462,709	387,398

(Dollars in thousands, except per share data)	As of and for the Years Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Total liabilities	754,672	663,730	610,423	537,167	460,957
Total stockholders' equity	101,363	69,963	52,921	45,041	39,711
Selected Income Statement Data:					
Interest income	$ 35,720	$ 30,980	$ 27,981	$ 25,262	21,662
Interest expense	6,782	5,192	4,590	3,752	3,409
Net interest income	28,938	25,788	23,391	21,510	18,253
Provisions for loan losses	2,161	1,198	1,434	2,543	861
Net interest income after provisions for loan losses	26,777	24,590	21,957	18,967	17,392
Non-interest income	36,700	42,844	36,121	25,289	23,143
Non-interest expense	57,691	59,913	48,642	37,678	34,663
Net income before income taxes	5,786	7,521	9,436	6,578	5,872
Income tax expense (benefit)	2,754	2,599	3,248	2,271	2,003
Net income	3,032	4,922	6,188	4,307	3,869
Preferred stock dividends and net accretion	(1,167)	(1,156)	(1,099)	(890)	(717)
Net income available to common shareholders	1,865	3,767	5,089	3,417	3,152
Selected Per Share Data:					
Earnings per common share, basic	$ 0.50	1.12	1.91	1.38	1.30
Earnings per common share, diluted	0.49	1.11	1.88	1.35	1.24
Book value per common share	15.86	15.50	14.69	12.75	11.35
Tangible book value per share[(1)]	15.00	15.50	14.69	12.75	11.35
Weighted average common shares outstanding, basic	3,743	3,362	2,669	2,484	2,429
Weighted average common shares outstanding, diluted	3,770	3,389	2,706	2,523	2,548
Shares outstanding at the end of period	6,392	3,685	2,773	2,580	2,430
Selected Performance Metrics:					
Return on average assets (ROAA)	0.39%	0.71%	1.02%	0.80%	0.84%
Return on average stockholders' equity (ROAE)	3.97%	7.69%	12.78%	10.32%	10.19%
Net interest spread	3.67%	3.67%	3.83%	4.01%	4.02%
Net interest margin (NIM)	3.93%	3.87%	3.98%	4.13%	4.16%
Efficiency ratio	87.78%	87.30%	81.73%	80.73%	83.74%
Non-interest income to average assets	4.69%	6.21%	5.96%	4.70%	5.02%
Non-interest expense to average assets	7.41%	8.68%	8.03%	7.00%	7.53%
Yield on interest-earning assets	4.83%	4.62%	4.74%	4.83%	4.91%
Cost of interest-bearing liabilities	1.16%	0.95%	0.91%	0.82%	0.89%
Yield on loans	5.10%	4.89%	4.99%	5.10%	5.22%
Cost of deposits	0.95%	0.77%	0.71%	0.70%	0.78%
Selected Credit Quality Ratios:					
Nonperforming assets to total assets	0.42%	0.73%	0.63%	0.67%	1.93%
Nonperforming loans to total loans	0.43%	0.83%	0.68%	0.66%	1.79%
Allowance for loan losses to	210.71%	101.90%	133.65%	143.21%	51.70%

(Dollars in thousands, except per share data)	As of and for the Years Ended December 31,				
	2017	2016	2015	2014	2013
nonperforming loans					
Allowance for loan losses to total loans	0.91%	0.84%	0.91%	0.95%	0.93%
Allowance for loan losses to total loans held-for-investment	0.96%	0.90%	1.06%	1.04%	1.01%
Net charge-offs to average loans	0.13%	0.17%	0.21%	0.34%	0.42%
Capital Ratios:					
Tier 1 leverage capital ratio	12.37%	9.67%	8.39%	7.91%	8.42%
Tier 1 risk-based capital ratio	12.86%	10.62%	9.29%	8.33%	8.59%
Total risk-based capital ratio	15.53%	13.51%	12.58%	11.73%	10.17%
Common equity tier 1 capital ratio	12.86%	8.68%	N/A	N/A	N/A

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies and Estimates

Our accounting and reporting policies conform to GAAP and conform to general practices within the industry in which we operate. To prepare financial statements in conformity with GAAP, management makes estimates, assumptions and judgments based on available information. These estimates, assumptions and judgments affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgements are based on information available as of the date of the financial statements and, as this information changes, actual results could differ from the estimates, assumptions and judgments reflected in the financial statements. In particular, management has identified the provision and allowance for loan and lease losses as the accounting policy that, due to the estimates, assumptions and judgements inherent in that policy, is critical in understanding our financial statements. Management has presented the application of this policy to the audit committee of our board of directors.

The JOBS Act permits us an extended transition period for complying with new or revised accounting standards affecting public companies. We have elected to take advantage of this extended transition period, which means that the financial statements included in this Annual Report, as well as any financial statements that we file in the future, will not be subject to all new or revised accounting standards generally applicable to public companies for the transition period for so long as we remain an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period under the JOBS Act. If we do so, we will prominently disclose this decision in the first periodic report filed with the FDIC following our decision, and such decision is irrevocable.

The following is a discussion of the critical accounting policies and significant estimates that require us to make complex and subjective judgments. Additional information about these policies can be found in Note 1 of Meridian's Consolidated Financial Statements as of and for the years ended December 31, 2017 and 2016.

Provision and allowance for loan and lease losses

The provision for loan and lease losses reflects the amount required to maintain the allowance for loan and lease losses ("ALLL") at an appropriate level based upon management's evaluation of the adequacy of general and specific loss reserves.

The ALLL is maintained at a level that management believes is appropriate to provide for incurred loan and lease losses as of the date of the Consolidated Statements of Financial Condition and we have established methodologies for the determination of its adequacy. The methodologies are set forth in a formal policy and take into consideration the

need for an overall general allowance as well as specific allowances that are determined on an individual loan basis for impaired loans. We increase our ALLL by charging provisions for losses against our income and decreased by charge-offs, net of recoveries.

The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. While management uses available information to recognize losses on loans and leases, changes in economic or other conditions may necessitate revision of the estimate in future periods.

The ALLL is maintained at a level sufficient to provide for probable losses based upon an ongoing review of the originated loan and lease portfolios by portfolio category, which include consideration of actual loss experience, peer loss experience, changes in the size and risk profile of the portfolio, identification of individual problem loan and lease situations which may affect a borrower's ability to repay, and evaluation of prevailing economic conditions.

Results of operations – Years ended December 31, 2017 and 2016

Overview

Our reported net income for the year ended December 31, 2017, was $3.0 million compared to $4.9 million for the same period in 2016. Net income available to common shareholders was $1.9 million or $0.49 per diluted common share and $3.8 million or $1.11 per diluted common share for the same period in 2016. The $1.9 million decrease in net income was attributable to an increase of $3.9 million in net non-interest expense (non-interest expense less non-interest income), an increase in the provision for loan losses of $963 thousand, and an increase in income taxes of $155 thousand, which was partially offset by a $3.1 million increase in net interest income.

Net interest income

Our earnings are derived predominantly from net interest income, which is our interest income less interest expense. Changes in our balance sheet composition, including interest-earning assets, deposits, and borrowings, combined with changes in market interest rates, impact our net interest income. Net interest margin is net interest income divided by average interest-earning assets. We manage our interest-earning assets and funding sources, including non-interest and interest-bearing liabilities, in order to maximize this margin. Net interest income increased by $3.1 million, or 12%, to $28.9 million for the year ended December 31, 2017 from $25.8 million for the same period in 2016. Our net interest margin was 3.93% for the year ended December 31, 2017 as compared to 3.87% for the same period in 2016.

Average balance sheet, interest and yield/rate analysis.

The following table presents average balance sheet information, interest income, interest expense and the corresponding average yield earned, on a tax equivalent basis, and rates paid for the years ended December 31, 2017 and 2016. The average balances are principally daily averages and, for loans, include both performing and nonperforming loans.

For the Year Ended December 31,	**2017**			**2016**		
(in thousands)	**Average Outstanding Balance**	**Interest Earned/ Interest Paid**	**Yields/ rates**	**Average Outstanding Balance**	**Interest Earned/ Interest Paid**	**Yields/ rates**
Assets						
Interest-earning assets						
Cash	11,159	58	0.52%	12,618	61	0.66%
Federal funds sold	2,058	23	1.10%	877	4	0.13%
Investment securities	49,922	1,130	2.26%	44,319	947	2.14%
Loans held for sale	28,884	1,129	3.91%	71,562	2,595	3.63%
Loans held for investment	648,430	33,553	5.17%	541,576	27,571	5.09%
Total loans	677,314	34,682	5.12%	613,138	30,166	4.92%

Total interest-earning assets	740,453	35,893	4.85%	670,952	31,178	4.65%
Noninterest earning assets	29,736			19,336		
Total assets	770,189			690,288		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits	79,247	442	0.42%	78,585	332	0.42%
Money market and savings deposits	215,665	1,906	0.75%	179,580	1,345	0.75%
Time deposits	192,284	2,279	0.92%	194,936	1,793	0.92%
Total deposits	487,196	4,627	0.77%	453,101	3,470	0.77%
Borrowings	85,641	1,190	0.93%	80,848	754	0.93%
Subordinated Debentures	13,375	964	7.20%	13,443	968	7.20%
Total interest-bearing liabilities	586,212	6,781	1.16%	547,392	5,192	0.95%
Noninterest-bearing deposits	101,010			72,697		
Other noninterest-bearing liabilities	6,619			6,175		
Total liabilities	693,841			626,264		
Total stockholders' equity	76,348			64,024		
Total stockholders' equity and liabilities	770,189			690,288		
Net interest income		29,112			25,986	
Net interest spread			3.69%			3.70%
Net interest margin			3.93%			3.87%

Rate/Volume Analysis

During 2017, net interest income increased $3.1 million or 12.2% on a tax equivalent basis. As shown in the following Rate/Volume Analysis table, this increase was primarily attributable to volume changes. Volume related changes contributed $3.7 million towards interest income, which was partially offset by unfavorable changes in rate of $624,000.

The favorable change in net interest income due to volume changes was driven largely from growth in the loan portfolio, which increased $64.2 million on average. This increase contributed $4.0 million to interest income. Total investment securities, cash and cash equivalents increased $5.3 million on average combined, contributing $113 thousand to interest income. On the funding side, interest checking and money market accounts together rose $36.6 million on average during the year, reducing net interest income by $297 thousand. Time deposits declined $2.5 million on average year over year, causing a favorable change of $23 thousand. Increased borrowings of $4.8 million on average affected net interest income $47,000 unfavorably, while moderately lower levels of subordinated debt contributed $5 thousand to the net interest income.

The unfavorable change in net interest income due to rate changes was driven largely from the increase in cost of funds, particularly from wholesale funding such as borrowings and time deposits, which rose 46 and 27 basis points, respectively. Cost of funds for core deposits, such as interest checking and money market accounts, rose 13-14 basis points. These unfavorable rate changes reduced net interest income $1.3 million, but were partially offset by favorable rate changes in interest-earning assets, which increased net interest income $649 thousand. The favorable change due to rate earned on loans was $563 thousand resulting from a 20 basis point increase on average for the total portfolio. The favorable change due to rate earned on cash and investments was $87 thousand, resulting from an 18 basis point increase in the yields.

The following table sets forth, among other things, the extent to which changes in interest rates and changes in the average balances of interest-earning assets and interest-bearing liabilities have affected interest income and expense for the periods noted (tax-exempt yields have been adjusted to a tax equivalent basis using a 34% tax rate). For each category of interest-earning assets and interest-bearing liabilities, information is provided with respect to changes attributable to (i) changes in rate (change in rate multiplied by old volume) and (ii) changes in volume (change in

volume multiplied by new rate). The net change attributable to the combined impact of rate and volume has been allocated proportionately to the change due to rate and the change due to volume.

	2017 Versus 2016		
	Change in interest due to:		
	Rate	Volume	Total
Total interest-earning assets:			
Loans	$563	$3,954	$4,516
Securities:			
Taxable	78	69	147
Tax-exempt	(6)	42	36
Cash and cash equivalents	14	2	16
Total	$649	$4,066	4,715
Interest-bearing liabilities:			
Interest checking	$107	$3	$110
Money market accounts	266	296	561
Time deposits	510	(25)	486
Borrowings	389	47	436
Subordinated debt	1	(5)	(4)
Total	$1,273	$316	$1,589
Net interest income	$(624)	$3,749	$3,126

Provision for loan losses

We recorded a provision for loan losses of $2.2 million for the year ended December 31, 2017, up $963 thousand from $1.2 million for the same period in 2016. The increased provision for the period relates in part to the loss incurred for a single commercial loan as well as the general component of the allowance for loan losses relative to the growth in our commercial and commercial real estate loan portfolios.

Non-interest income

Other non-interest income decreased $6.1, or 14.4%, to $36.7 million for the year ended December 31, 2017 compared to $42.8 million for the prior year. The decrease was mostly attributable to an $8.6 million decrease in mortgage banking revenue caused by lower levels of mortgage originations and sales period over period. This decline in revenue was partially offset by an increase of $2.4 million in wealth management revenue, due to the acquisition of a wealth company in the second quarter, which increased assets under management from $90 million to $626 million. In addition, the Bank recognized an $874 thousand increase in the fair value of loans held for sale along with increased earnings on investments in life insurance due to additional investment in BOLI during the first quarter of 2017.

(dollars in thousands)	**Year Ended December 31,**	
	2017	**2016**
Non-interest income:		
Mortgage banking income	$ 32,836	$ 41,431
Wealth management income	2,872	425
Earnings on investment in life insurance	276	125
Net change in fair value of derivative instruments	(427)	(122)
Net change in the fair value of loans held-for-sale	41	(833)

Net change in the fair value of loans held-for-investment	73	30
Gain on sale of investment securities available-for-sale	26	3
Service charges	87	66
Other	916	1,719
Total non-interest income	$ 36,700	$ 42,844

Non-interest expense

Non-interest expenses decreased $2.2 million, or 3.7%, to $57.7 million for the year ended December 31, 2017 from $59.9million in 2016. This decrease was principally due to lower levels of salaries and employee benefits, and loan fees related to the mortgage division, which decreased a combined $4.4 million period over period, partially offset by higher costs relative to professional fees, occupancy, business development and other expenses related to growth.

(dollars in thousands)	Year Ended December 31,	
	2017	**2016**
Non-interest expenses:		
Salaries and employee benefits	$ 39,126	$ 40,852
Occupancy and equipment	3,799	2,946
Loan expenses	4,025	6,722
Advertising and promotion	2,248	1,727
Professional fees	2,125	1,762
Data processing	1,162	1,146
Other	5,206	4,759
Total non-interest income	$ 57,691	$ 59,914

Income tax expense

Income tax expense for the twelve months ended December 31, 2017 was $2.8 million as compared to $2.6 million for the same periods in 2016. The effective tax rates for the twelve-month periods ended December 31, 2017 and 2016 were 47.6% and 34.5%, respectively. The increase in rate from 34.5% to 47.6% between 2016 and 2017 was directly related to the enactment of the Tax Cuts and Jobs Act ("2017 Tax Reform") on December 22, 2017. The 2017 Tax Reform lowered the top federal corporate rate from 35% to 21%. In accordance with GAAP, this required the re-measurement, in the period including the enactment, of the Bank's net deferred tax asset to reflect the rate at which they will be recognized in future periods. The result was a $737 thousand one-time charge to income tax expense. Excluding the $737 thousand discrete income tax charge, the effective tax rate for 2017 was 34.9%. For more information related to income taxes, refer to Note 15 in the Notes to Consolidated Financial Statements.

Balance Sheet Summary

Assets

Total assets increased $122.3 million, or 16.7%, to $856.0 million at December 31, 2017 from $733.7 million at December 31, 2016. This growth was concentrated in our loan portfolio which increased by $85.8 million, or 13.3%, year over year. Investment securities and cash increased $21.9 million, or 33.0%, year over year. Our overall asset growth was funded by an increase in deposits of $100.0 million, or 19.0%, to $627.1 million at December 31, 2017 from $527.1 million at December 31, 2016.

Loans

Our loan portfolio is the largest category of our interest-earning assets. As of December 31, 2017 and 2016, our total loans amounted to $731.3 million and $644.7 million, respectively. Our loan portfolio is comprised of residential mortgage loans originated for sale and loans originated to be held in portfolio. Meridian engages in the origination of residential mortgages, most typically for 1-4 family dwellings, with the intention of the Bank to principally sell

substantially all of these loans in the secondary market to qualified investors. Our loans held in portfolio are originated by our commercial and consumer loan divisions. We have a strong credit culture that promotes diversity of lending products with a focus on commercial businesses. We have no particular credit concentration. Our commercial loans have been proactively managed in an effort to achieve a balanced portfolio with no unusual exposure to one industry. Loans held for investment increased $91.0 million, or 15.1%, for the year ended December 31, 2017.

The following table presents the balance and associated percentage of each major category in our loan portfolios as of December 31, 2017 and 2016.

(dollars in thousands)		**2017**	% of Portfolio	**2016**	% of Portfolio
Mortgage loans held for sale	$	35,024	4.8%	39,573	6.1%
Real estate loans:					
Commercial mortgage		263,141	36.0%	225,564	35.0%
Home equity lines and loans		84,039	11.5%	85,385	13.2%
Residential mortgage		32,375	4.4%	30,295	4.7%
Construction		104,970	14.4%	65,846	10.2%
		484,525	66.3%	407,090	63.1%
Commercial and industrial		209,996	28.7%	196,091	30.4%
Consumer		1,022	0.1%	450	0.1%
Leases, net		762	0.1%	1,469	0.2%
		696,305	95.2%	605,100	93.9%
	$	731,329	100.0%	644,673	100.0%

Commercial loans, commercial construction loans and commercial real estate loans increased a combined $95.9 million, or 22.0%, for the year ended December 31, 2017. The growth in the commercial portfolios continues to reflect work of our strategically expanded lending team as well as strong local market conditions.

Commercial real estate loans. Our commercial real estate loans are secured by real estate that is both owner-occupied and investor owned. Owner-occupied commercial real estate loans generally involve less risk than an investment property and are distinctly reported from non-owner occupied commercial real estate loans for measuring loan concentrations for regulatory purposes. Our owner-occupied commercial real estate loans are originated and managed within our commercial loan department and comprised 49% of our total commercial real estate loan portfolio at December 31, 2017. The remaining commercial real estate loans are managed by our commercial real estate department, which offer the following commercial real estate products:

- Permanent – Investor Real Estate Loans
  - Purchase and refinance loan opportunities for a number of product types, including single-family rentals, multi-family residential as well as tenanted income producing properties in a variety of real estate types, including office, retail, industrial, and flex space
- Construction Loans
  - Residential construction loans to finance new construction and renovation of single and 1-4 family homes located within our market area
  - Commercial construction loans for investment properties, generally with semi-permanent attributes
  - Construction loans for new, expanded or renovated operations for our owner occupied business clients

- Land Development Loans

    - Meridian considers a limited number of strictly land development oriented loans based upon the risk, merit of the future project and strength of the borrower/guarantor relationship

Our commercial real estate loans increased by $37.6 million, or 16.7%, to $263.1 million at December 31, 2017 from $225.6 million at December 31, 2016. Our total commercial real estate loan portfolio represented 36.0% and 35.0% of our total loan portfolio at December 31, 2017 and 2016, respectively.

Commercial and industrial loans. We provide a variety of variable and fixed rate commercial business loans and lines of credit. These loans and lines of credit are made to small- and medium-sized manufacturers and wholesale, retail and service-related businesses. Additionally, we lend to companies in the technology, healthcare, real estate and financial service industries. Commercial business loans generally include lines of credit and term loans with a maturity of five years or less. The primary source of repayment for commercial business loans is generally operating cash flows of the business and may include collateralization of inventory, accounts receivable, equipment and/or personal guarantees. Our commercial loans increased by $15.9 million, or 7.1%, to $210.0 million at December 31, 2017 from $196.1 million at December 31, 2016. The total commercial portfolio represented 28.7% and 30.4% of our total loan portfolio at December 31, 2017 and 2016, respectively.

Residential loans. Our residential loans held in portfolio are primarily secured by single-family homes located in our market areas. Our loan pipeline is fed via our mortgage loan production offices (“LPOs”) and through relationships with commercial lending and through relationships with sales brokers and agents who actively refer clients to Meridian. The balance of residential loans in portfolio increased $2.1 million, or 6.9%, to $32.4 million at December 31, 2017 from $30.3 million at December 31, 2016. The total residential loan portfolio represented 4.4% and 4.7% of our total loan portfolio at December 31, 2017 and 2016, respectively.

Consumer and Personal Loans

Our consumer-lending department principally originates home equity based products for our clients and prospects. These loans typically fund completely at closing. Additional products include smaller dollar personal loans and our newly introduced student loan refinance product, designed to provide additional flexibility in repayment terms desired in the marketplace. Our consumer credit products include home equity lines and loans, personal lines and loans, and student loan refinancing. The total consumer loan portfolio represented 0.1% of our total loan portfolio at December 31, 2017 and 2016.

Investments

Our securities portfolio is used to make various term investments, maintain a source of liquidity and serve as collateral for certain types of deposits and borrowings. We manage our investment portfolio according to written investment policies approved by our board of directors. Investments in our securities portfolio may change over time based on our funding needs and interest rate risk management objectives. Our liquidity levels take into account anticipated future cash flows and other available sources of funds and are maintained at levels that we believe are appropriate to provide the necessary flexibility to meet our anticipated funding requirements.

As of December 31, 2017, the fair value of our investment portfolio totaled $52.8 million, with an effective tax equivalent yield of 2.26% and an estimated duration of approximately 3.7 years. The majority of our investment portfolio, or 55.5%, consists of residential mortgage-backed securities, along with 39.7% in municipal securities. The remainder of our securities portfolio is invested in U.S. Treasuries and other securities. We regularly evaluate the composition of our investment portfolio as the interest rate yield curve changes and may sell investment securities from time to time to adjust our exposure to interest rates or to provide liquidity to meet loan demand.

(dollars in thousands)	December 31, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Securities available-for-sale:				
U.S. government agency mortgage-backed securities	21,439	19	(190)	21,269
U.S. government agency collateralized mortgage obligations	7,875	2	(99)	7,778
State and municipal securities	10,079	14	(134)	9,959
Investments in mutual funds and other equity securities	1,000	1	—	1,001
Total securities available-for-sale	$ 40,393	36	(423)	40,006
Securities held to maturity:				
U.S. Treasuries	$ 1,978	—	(8)	1,970
State and municipal securities	10,883	86	(70)	10,899
Total securities held-to-maturity	$ 12,861	86	(78)	12,869

(dollars in thousands)	December 31, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Securities available-for-sale:				
U.S. government agency securities	$ —	—	—	—
U.S. government agency mortgage-backed securities	21,668	41	(227)	21,482
U.S. government agency collateralized mortgage obligations	1,436	5	(7)	1,434
State and municipal securities	9,397	—	(287)	9,110
Investments in mutual funds and other equity securities	1,000	1	—	1,001
Total securities available-for-sale	$ 33,501	47	(521)	33,027
Securities held to maturity:				
U.S. Treasuries	$ 1,965	9	—	1,974
State and municipal securities	12,560	25	(215)	12,370
Total securities held-to-maturity	$ 14,525	34	(215)	14,344

Asset Quality Summary

As of December 31, 2017, total nonperforming loans and leases decreased by $2.2 million to $3.2 million, representing 0.45% of loans and leases held-for-investment, compared to $5.3 million, or 0.88% of loans and leases held-for-investment as of December 31, 2016. The decrease to nonperforming loans resulted largely from the full pay-off of a $2.2 million impaired commercial credit.

As of December 31, 2017, the allowance of $6.7 million represented 0.97% of loans and leases held-for-investment, a seven basis point increase from 0.90% as of December 31, 2016. The allowance to non-performing loans increased from 101.92% as of December 31, 2016 to 212.5% as of December 31, 2017.

As of December 31, 2017, the Bank had OREO valued at $437 thousand, as compared to $0 as of December 31, 2016. One commercial real estate loan was foreclosed and the $437 thousand collateral was taken into OREO. During the twelve months ended December 31, 2017, there were no impairments on OREO and the property is recorded at the lower of cost or fair value less cost to sell.

As of December 31, 2017, the Bank had $2.6 million of troubled debt restructurings ("TDRs"), of which $1.9 million were in compliance with the modified terms and excluded from non-performing loans and leases. As of December 31, 2016, the Bank had $5.8 million of TDRs, of which $2.3 million were in compliance with the modified terms, and were excluded from non-performing loans and leases.

As of December 31, 2017, the Bank had a recorded investment of $4.2 million of impaired loans and leases which included $2.6 million of TDRs. Impaired loans and leases are those for which it is probable that the Bank will not be able to collect all scheduled principal and interest in accordance with the original terms of the loans and leases. Impaired loans and leases as of December 31, 2016 totaled $6.4 million, which included $5.8 million of TDRs. Refer to Note 7 in the Notes to Unaudited Consolidated Financial Statements for more information regarding the Bank's impaired loans and leases.

The Bank continues to be diligent in its credit underwriting process and proactive with its loan review process, including the engagement of the services of an independent outside loan review firm, which helps identify developing credit issues. Proactive steps that are taken include the procurement of additional collateral (preferably outside the current loan structure) whenever possible and frequent contact with the borrower. The Bank believes that timely identification of credit issues and appropriate actions early in the process serve to mitigate overall risk of loss.

	As of December 31	
(dollars in thousands)	**2017**	**2016**
Non-performing assets:		
Nonaccrual loans:		
Real estate loans:		
Commercial mortgage	$ 414	$ 892
Commercial land development	-	219
Home equity lines and loans	137	132
Residential mortgage	1,084	298
Commercial construction	185	-
Total real estate loans	$ 1,820	$ 1,541
Commercial and industrial	1,326	3,740
Shared national commercial credits	-	-
Consumer	-	-
Lease financing	11	-
Total nonaccrual loans	$ 3,157	$ 5,281
Loans 90 days or more past due and accruing	-	42

Other real estate owned		437		-
Total non-performing loans	$	3,157		5,323
Total non-performing assets	$	3,594		5,323
Troubled debt restructurings:				
TDRs included in non-performing loans		741		3,482
TDRs in compliance with modified terms		1,900		2,279
Total TDRs	$	2,641	$	5,761
Asset quality ratios:				
Non-performing assets to total assets		0.42%		0.73%
Non-performing loans to:				
Total loans		0.43%		0.83%
Total loans held-for-investment		0.45%		0.88%
Allowance for loan losses to:				
Total loans		0.92%		0.84%
Total loans held-for-investment		0.97%		0.90%
Non-performing loans		212.51%		101.92%
Total loans and leases	$	729,661	$	643,864
Total loans and leases held-for-investment	$	694,637	$	604,291
Allowance for loan and lease losses	$	6,709	$	5,425

Deposits and Equity

Deposits increased $100.0 million, or 19.0%, to $627.1 million at December 31, 2017 from $527.1 million at December 31, 2016. This growth year over year was across all deposit categories. Non-maturity deposits, consisting of demand deposits, NOW accounts, money market accounts and regular savings accounts increased $68.0 million, or 19.9%. Certificates of deposit increased $32.0 million, or 17.2%. Core funding continues to be a strategic initiative and the deposit growth resulted from our expanded business development team as well as the efforts from all sales personnel in our new branch markets.

The following table summarizes our deposit balances and weighted average rate paid for the periods presented.

(dollars in thousands)	Year ended December 31, 2017			Year ended December 31, 2016		
	Average amount	Weighted average rate paid	Percent of total deposits	Average amount	Weighted average rate paid	Percent of total deposits
Noninterest-bearing deposits	$ 101,010	-	16.02%	$ 72,697	-	18.31%
Interest-bearing deposits	294,913	0.79%	49.15%	258,165	0.68%	46.33%
Time deposits:						
Under $100,000	99,025	1.18%	18.01%	84,776	0.82%	1.71%
$100,000 and greater	93,258	1.19%	16.82%	110,160	0.92%	35.34%
Total	$ 588,206	0.95%	100.00%	$525,798	0.77%	100.00%

Total equity increased $31.4 million, or 44.8%, to $101.3 million at December 31, 2017 from $70.0 million at December 31, 2016. This increase was attributable to the net proceeds of $43.0 million from our initial public offering of common stock in November 2017, partially offset by the $12.8 million in repurchases of preferred stock, $1.9 million net income year for the year and dividends to preferred shareholders of $1.2 million.

Liquidity and Capital Resources

Management maintains liquidity to meet depositors' needs for funds, to satisfy or fund loan commitments, and for other operating purposes. Meridian's foundation for liquidity is a stable and loyal customer deposit base, cash and cash equivalents, a marketable investment portfolio that provides periodic cash flow through regular maturities and amortization, or that can be used as collateral to secure funding. In addition, as part of its liquidity management, Meridian maintains a segment of commercial loan assets that are comprised of SNCs which have a national market and can be sold in a timely manner. Meridian's primary liquidity, which totaled $145 million at December 31, 2017 compared to $121 million at December 31, 2016, includes investments, SNCs, federal funds sold, mortgages held-for-sale and cash and cash equivalents, less the amount of securities required to be pledged for certain liabilities. Meridian also anticipates scheduled payments and prepayments on its loan and mortgage-backed securities portfolios.

In addition, Meridian maintains borrowing arrangements with various correspondent banks, the FHLB and the Federal Reserve Bank of Philadelphia to meet short-term liquidity needs. Through these relationships, Meridian had available credit of approximately $248.1 million at December 31, 2017. As a member of the FHLB, we are eligible to borrow up to a specific credit limit, which is determined by the amount of our residential mortgages, commercial mortgages and other loans that have been pledged as collateral. As of December 31, 2017, Meridian's maximum borrowing capacity with the FHLB was $380.1 million. At December 31, 2017, Meridian had borrowed $106.6 million and the FHLB had issued letters of credit, on Meridian's behalf, totaling $63.1 million against its available credit lines. At December 31, 2017, Meridian also had available $26.0 million of unsecured federal funds lines of credit with other financial institutions as well as $85.6 million of available short or long term funding through the Certificate of Deposit Account Registry Service ("CDARS") program and $197.8 million of available short or long term funding through brokered CD arrangements. Management believes that Meridian has adequate resources to meet its short-term and long-term funding requirements.

At December 31, 2017, Meridian had $220.2 million in unfunded loan commitments. Management anticipates these commitments will be funded by means of normal cash flows. Certificates of deposit greater than or equal to $250 thousand scheduled to mature in one year or less from December 31, 2017 totaled $18.7 million. Management believes that the majority of such deposits will be reinvested with Meridian and that certificates that are not renewed will be funded by a reduction in cash and cash equivalents or by pay-downs and maturities of loans and investments.

Meridian meets the definition of "well capitalized" for regulatory purposes on December 31, 2017. Our capital category is determined for the purposes of applying the bank regulators' "prompt corrective action" regulations and for determining levels of deposit insurance assessments and may not constitute an accurate representation of Meridian's overall financial condition or prospects.

Under federal banking laws and regulations, Meridian is required to maintain minimum capital as determined by certain regulatory ratios. Capital adequacy for regulatory purposes, and the capital category assigned to an institution by its regulators, may be determinative of an institution's overall financial condition. Under the final capital rules that became effective on January 1, 2015, there was a requirement for a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets, which is in addition to the other minimum risk-based capital standards in the rule. Institutions that do not maintain this required capital buffer will become subject to progressively more stringent limitations on the percentage of earnings that can be paid out in dividends or used for stock repurchases and on the payment of discretionary bonuses to senior executive management. The capital buffer requirement is being phased in over three years beginning in January 1, 2016. Meridian must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.0% to 2.50% by January 1, 2019. The capital conservation buffer is 1.25% and 0.625% for 2017 and 2016, respectively.

The following table summarizes data and ratios pertaining to our capital structure.

(dollars in thousands)	2017					
	Actual		For capital adequacy purposes *		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 117,239	15.53%	$ 60,376	8.00%	$ 75,469	10.00%
Common equity tier 1 capital (to risk-weighted assets)	101,661	12.86%	33,961	4.50%	49,055	6.50%
Tier 1 capital (to risk-weighted assets)	97,084	12.86%	45,282	6.00%	60,376	8.00%
Tier 1 capital (to average assets)	97,084	12.37%	31,582	4.00%	39,478	5.00%

(dollars in thousands)	2016					
	Actual		For capital adequacy purposes *		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 89,396	13.51%	$ 57,071	8.00%	$ 66,169	10.00%
Common equity tier 1 capital (to risk-weighted assets)	57,426	8.68%	33,912	4.50%	43,010	6.50%
Tier 1 capital (to risk-weighted assets)	70,271	10.62%	43,837	6.00%	52,935	8.00%
Tier 1 capital (to average assets)	70,271	9.67%	29,055	4.00%	36,318	5.00%

*Does not include capital conservation buffer of 0.625% for 2016 and 1.250% for 2017

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk is interest rate risk, which is defined as the risk of loss of net interest income or net interest margin because of changes in interest rates.

Asset/Liability Management

As a financial institution, one of our primary market risks is interest rate volatility. Changes in market interest rates, whether they are increases or decreases, can trigger repricing and changes in the pace of payments for both assets and liabilities (prepayment risk), which individually or in combination may affect our net income, net interest income and net interest margin, either positively or negatively. In recognition of this, we actively manage our assets and liabilities to minimize the impact of changing interest rates on our net interest margin and maximize our net interest income and the return on equity, while maintaining adequate liquidity and capital.

Our board of directors has established a Board Risk Committee that, among other duties, sets broad asset and liability management policy ("ALM" policy) and directives for asset/liability management, as well as establishes review and control procedures to ensure adherence to this policy. The board of directors has delegated authority for the development and implementation of all asset and liability management policies, procedures, and strategies to the

Asset/Liability Committee ("ALCO"). ALCO is comprised of various members of senior management responsible for interpreting the longer-range objectives established by the board of directors. As such ALCO sets basic direction for the Bank's sources and uses of funds, establishes numerical ranges for primary and secondary objectives, monitors risk and the delivery of services, establishes subcommittees to manage specific ALM activities, and monitors the counterparties engaged in ALM activities. Our ALM policy is reviewed at least annually, which includes an evaluation of the ALM policy limits and guidelines in light of our risk profile, business strategies, regulatory guidelines and overall market conditions.

As part of our management of interest rate risk, we utilize the following modeling techniques that simulate the effects of variations in interest rates: (1) repricing gap analysis; (2) net interest income simulation; and (3) economic value of equity simulation. These models require that we use various assumptions, including asset and liability pricing responses, asset and liability new business, repayment and redemption responses, behavior of imbedded options and sensitivity of relationships across different rate indexes and product types. These assumptions are inherently uncertain and, as a result, the models cannot precisely predict the fluctuations in market interest rates or precisely measure the impact of future changes in interest rates. Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and the application and timing of various management strategies.

Gap analysis. Management measures and evaluates the potential effects of interest rate movements on earnings through an interest rate sensitivity "gap" analysis. Given the size and turnover rate of the originated mortgage loans held for sale, loans held for sale are treated as having a maturity of 12 months or less. Interest rate sensitivity reflects the potential effect on net interest income when there is movement in interest rates. An institution is considered to be asset sensitive, or having a positive gap, when the amount of its interest-earning assets repricing within a given period exceeds the amount of its interest-bearing liabilities also repricing within that time period. Conversely, an institution is considered liability sensitive, or having a negative gap, when the amount of its interest-bearing liabilities repricing within a given period exceeds the amount of its interest-earning assets also within that time period. During a period of rising interest rates, a negative gap would tend to decrease net interest income, while a positive gap would tend to increase net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to decrease net interest income.

The following table presents the interest rate gap analysis of our assets and liabilities as of December 31, 2017.

As of December 31, 2017 *(in thousands)*	**12 Months or Less**	**1~2 Years**	**2~5 Years**	**Greater Than 5 years and Not Rate Sensitive**	**Total**
Cash and investments	$ 26,648	$ 7,475	$ 8,523	$ 52,542	$ 95,188
Loans, net (1)	$ 420,500	$ 75,629	$ 202,736	$ 30,794	$ 729,659
Other assets	—	—	—	$ 31,189	$ 31,189
Total assets	$ 447,148	$ 83,104	$ 211,259	$114,525	$ 856,036
Liabilities and Equity:					
Noninterest-bearing deposits.	$ 11,414	$ 10,116	$ 23,960	$ 54,964	$ 100,454
Interest-bearing core deposits	$ 253,664	$ 27,291	$ 27,291	—	$ 308,246
Time deposits	$ 159,808	$ 52,830	$ 5,770	—	$ 218,408
FHLB advances	$ 99,750	$ 1,800	$ 7,063	$ 13,308	$ 121,921
Other liabilities	—	—	—	$ 5,645	$ 5,645
Total stockholders' equity	—	—	—	$101,362	$ 101,362
Total liabilities and stockholders' equity	$ 524,636	$ 92,037	$ 64,084	$175,279	$ 856,036
Repricing gap-positive...................... (Negative)	($ 77,488)	($ 8,933)	$ 147,175	($60,754)	—
Cumulative repricing gap: Dollar amount	($ 77,488)	($ 86,421)	$ 60,754		—
Percent of total assets	(7.9%)	(10.1%)	7.1%	—	—

(1) Includes loans held-for-sale.

Under the repricing gap analysis, we are liability-sensitive in the short term as customer preference has been for short-term or liquid deposits. We generally manage our interest rate risk profile close to neutral; therefore, our strategy is focused on increasing our concentration of relationship-based transaction accounts. To that end, and in accordance with our business plan, we opened two new deposit taking branches and hired new business development officers in 2017.

The gap results presented could vary substantially if different assumptions are used or if actual experience differs from the assumptions used in the preparation of the gap analysis. In addition, the impact of certain optionality is embedded in our balance sheet such as contractual caps and floors, and trends in asset and liability growth. Furthermore, the gap analysis provides a static view of interest rate risk exposure at a specific point in time and offers only an approximate estimate of the relative sensitivity of our interest-earning assets and interest-bearing liabilities to changes in market interest rates. Accordingly, we combine the use of gap analysis with the use of an earnings simulation model that provides a dynamic assessment of interest rate sensitivity.

Simulations of net interest income. We use a simulation model on a quarterly basis to measure and evaluate potential changes in our net interest income resulting from various hypothetical interest rate scenarios. Our model incorporates various assumptions that management believes to be reasonable, but which may have a significant impact on results such as:

- The timing of changes in interest rates;
- Shifts or rotations in the yield curve;
- Repricing characteristics for market rate sensitive instruments on the balance sheet;
- Differing sensitivities of financial instruments due to differing underlying rate indices;
- Varying timing of loan prepayments for different interest rate scenarios;
- The effect of interest rate floors, periodic loan caps and lifetime loan caps;
- Overall growth rates and product mix of interest-earning assets and interest-bearing liabilities.

Because of the limitations inherent in any approach used to measure interest rate risk, simulated results are not intended to be used as a forecast of the actual effect of a change in market interest rates on our results, but rather as a means to better plan and execute appropriate ALM strategies.

Potential changes to our net interest income between a flat interest rate scenario and hypothetical rising and declining interest rate scenarios, measured over a one-year period as of December 31, 2017 and 2016 are presented in the following table. The simulation assumes rate shifts occur upward and downward on the yield curve in even increments over the first twelve months (ramp), followed by rates held constant thereafter.

Rate Ramp:

% Changes in Market Interest Rates	Estimated increase (decrease) in Net Interest Income	
	For the year ending December 31,	
	2017	2016
+400 basis points over next 12 months	7%	2%
+300 basis points over next 12 months	5%	2%
+200 basis points over next 12 months	4%	1%
+100 basis points over next 12 months	2%	1%
No Change		
-100 basis points over next 12 months	(2%)	(2%)
-200 basis points over next 12 months	(6%)	(4%)

The model simulations projected an asset sensitive interest rate risk profile and that the simulated exposure to a change in interest rates is contained and manageable. Read in conjunction with our gap analysis, you can see that although 7.9% more liability balances reprice in the short term, the spread is high enough to continue to improve earnings. These results improve as we progress through our deposit initiatives and is consistent with our strategy of increasing relationship-based retail and business accounts while opportunistically utilizing longer-term deposits to fund short to medium duration assets.

Simulation of economic value of equity. To quantify the amount of capital required to absorb potential losses in value of our interest-earning assets and interest-bearing liabilities resulting from adverse market movements, we calculate economic value of equity on a quarterly basis. We define economic value of equity as the net present value of our balance sheet's cash flow, and we calculate economic value of equity by discounting anticipated principal and interest cash flows under the prevailing and hypothetical interest rate environments. Potential changes to our economic value of equity between a flat rate scenario and hypothetical rising and declining rate scenarios, measured as of December 31, 2016 and 2017, are presented in the following table. The projections assume shifts ramp upward and downward of the yield curve of 100, 200, 300 and 400 basis points occurring immediately. We would note that in a downward parallel shift of the yield curve, interest rates at the short-end of the yield curve are not modeled to decline any further than to 0%.

Changes in Market Interest Rates	Estimated increase (decrease) in Net Economic Value at December 31,	
	2017	2016
Percentage change	%	%
+400 basis points immediately	(7.68)	(7.86)
+300 basis points immediately	(5.82)	(6.06)
+200 basis points immediately	(3.67)	(3.94)
+100 basis points immediately	(1.63)	(1.87)
No Change		
-100 basis points immediately	(0.52)	0.35
-200 basis points immediately	(2.22)	(3.50)

This economic value of equity profile suggests that we would experience a slight adverse effect from an initial increase in rates, and that the adverse impact would become greater as rates continue to rise due to the duration of our interest-earning assets as compared to our interest-bearing liabilities. Since economic value of equity measures the discounted present value of cash flows over the estimated lives of instruments, the change in economic value of equity does not directly correlate to the degree that earnings would be impacted over a shorter time horizon.

The results of our net interest income and economic value of equity simulation analysis are purely hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from that projected, our net interest income might vary significantly. Non-parallel yield curve shifts or changes in interest rate spreads would also cause our net interest income to be different from that projected. An increasing interest rate environment could reduce projected net interest income if deposits and other short-term interest-bearing liabilities reprice faster than expected or faster than our interest-earning assets. Actual results could differ from those projected if we grow interest-earning assets and interest-bearing liabilities faster or slower than estimated, or otherwise change its mix of products. Actual results could also differ from those projected if we experience substantially different repayment speeds in our loan portfolio than those assumed in the simulation model. Furthermore, the results do not take into account the impact of changes in loan prepayment rates on loan discount accretion. If prepayment rates were to increase on our loans, we would recognize any remaining loan discounts into interest income. This would result in a current period offset to declining net interest income caused by higher rate loans prepaying.

Finally, these simulation results do not contemplate all the actions that we may undertake in response to changes in interest rates, such as changes to our loan, investment, deposit, funding or other strategies.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements are set forth in this Annual Report on Form 10-K as follows:

i. Independent Auditors' Report

ii. Consolidated Balance Sheets

iii. Consolidated Statements of Income

iv. Consolidated Statements of Comprehensive Income

v. Consolidated Statements of Changes in Stockholders' Equity

vi. Consolidated Statements of Cash Flows

vii. Notes to Consolidated Financial Statements

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Meridian Bank:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Meridian Bank and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and cash flows for each of the years in the two-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

KPMG LLP

We have served as the Company's auditor since 2011.

Philadelphia, Pennsylvania
March 31, 2018

KPMG LLP is a Delaware limited liability partnership and the U.S. member
firm of the KPMG network of independent member firms affiliated with
KPMG International Cooperative ("KPMG International"), a Swiss entity.

Meridian Bank and Subsidiaries

Consolidated Balance Sheets
December 31, 2017 and 2016

(in thousands, except share data)		2017	2016
Cash and due from banks	$	24,893	18,478
Federal funds sold		10,613	394
Cash and cash equivalents		35,506	18,872
Securities available-for-sale, amortized cost of $40,393 in 2017 and $33,501 in 2016		40,006	33,027
Securities held-to-maturity, fair value of $12,869 in 2017 and $14,344 in 2016		12,861	14,525
Mortgage loans held for sale, amortized cost of $34,673 in 2017 and $39,263 in 2016		35,024	39,573
Loans, net of fees and costs (includes $9,972 of loans at fair value in 2017 and $9,316 in 2016, amortzied cost of $9,788 in 2017 and $9,207 in 2016)		694,637	604,291
Allowance for loan losses		(6,709)	(5,425)
Loans, net of the allowance for loan losses		687,928	598,866
Restricted investment in bank stock		6,814	7,355
Bank premises and equipment, net		9,741	8,716
Bank owned life insurance		11,269	4,994
Accrued interest receivable		2,536	2,123
Other real estate owned		437	0
Deferred income taxes		1,312	1,270
Goodwill and intangible assets		5,495	0
Other assets		7,106	4,372
Total assets	$	856,035	733,693
Liabilities:			
Deposits:			
Noninterest bearing	$	100,454	96,102
Interest-bearing		526,655	431,034
Total deposits		627,109	527,136
Short-term borrowings		99,750	105,553
Long-term debt		8,863	12,800
Subordinated debentures		13,308	13,376
Accrued interest payable		216	194
Other liabilities		5,426	4,671
Total liabilities		754,672	663,730
Stockholders' equity:			
Preferred stock, no stated par value. Authorized 5,000,000 shares; No shares outstanding in 2017; 12,845 outstanding in 2016 with a liquidation preference of $1,000 and liquidation value $12,845 in 2016		-	12,845
Common stock, $1 par value. Authorized 10,000,000 shares; issued and outstanding 6,392,287 and 3,685,368 shares as of December 31, 2017 and 2016, respectively.		6,392	3,685
Surplus		79,501	39,887
Retained earnings		15,768	13,854
Accumulated other comprehensive loss		(298)	(308)
Total stockholders' equity		101,363	69,963
Total liabilities and stockholders' equity	$	856,035	733,693

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Income
Years ended December 31, 2017 and 2016

(dollars in thousands)

		2017	2016
Interest income:			
Loans, including fees	$	34,667	30,117
Securities:			
Taxable		519	372
Tax-exempt		453	426
Cash and cash equivalents		81	65
Total interest income		35,720	30,980
Interest expense:			
Deposits		4,627	3,470
Borrowings		2,155	1,722
Total interest expense		6,782	5,192
Net interest income		28,938	25,788
Provision for loan losses		2,161	1,198
Net interest income after provision for loan losses		26,777	24,590
Noninterest income:			
Mortgage banking income		32,836	41,431
Wealth management income		2,872	425
Earnings on investment in life insurance		276	125
Net change in the fair value of derivative instruments		(427)	(122)
Net change in the fair value of loans held-for-sale		41	(833)
Net change in the fair value of loans held-for-investment		73	30
Gain (loss) on sale of investment securities available-for-sale		26	3
Service charges		87	66
Other		916	1,719
Total noninterest income		36,700	42,844
Noninterest expenses:			
Salaries and employee benefits		39,126	40,852
Occupancy and equipment		3,799	2,946
FDIC assessment		722	625
Professional fees		2,125	1,762
Data processing		1,162	1,146
Advertising and promotion		2,248	1,727
Loan expenses		4,025	6,686
Other		4,484	4,169
Total noninterest expenses		57,691	59,913
Income before income taxes		5,786	7,521
Income tax expense		2,754	2,599
Net income		3,032	4,922
Dividends on preferred stock		(1,167)	(1,156)
Net income for common stockholders	$	1,865	3,766
Basic earnings per common share	$	0.50	1.12
Diluted earnings per common share	$	0.49	1.11

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Comprehensive Income
Years ended December 31, 2017 and 2016

(dollars in thousands)

		2017	2016
Net income:	$	3,032	4,922
Other comprehensive income:			
Net change in unrealized gains on investment securities available for sale:			
Net unrealized gains arising during the period, net of tax (benefit) expense of $40 and ($123), respectively		76	(230)
Less: reclassification adjustment for net losses on sales realized in net income, net of tax (benefit) expense of ($9) and ($1), respectively		(17)	2
Unrealized investment gains (losses), net of tax expense (benefit) of $31 and ($124), respectively		59	(228)
Total other comprehensive income		59	(228)
Total comprehensive income	$	3,091	4,694

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Stockholders' Equity
Years ended December 31, 2017 and 2016

(dollars in thousands)

	Preferred Stock	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2015	$ 12,845	2,598	24,404	13,154	(80)	52,921
Comprehensive income:						
Net income				4,922		4,922
Change in unrealized gains on securities available-for-sale, net of tax					(228)	(228)
Total comprehensive income						4,694
Dividends on preferred stock				(1,156)		(1,156)
Common stock dividend		175	2,891	(3,066)		—
Issuance of common stock		891	12,242			13,133
Notes repaid for common stock			52			52
Share-based awards and exercises		21	123			144
Compensation expense related to stock option grants			175			175
Balance, December 31, 2016	$ 12,845	3,685	39,887	13,854	(308)	69,963
Comprehensive income:						
Net income				3,032		3,032
Reclassification due to adoption of ASU 2018-02				49	(49)	—
Change in unrealized gains on securities available-for-sale, net of tax					59	59
Total comprehensive income						3,091
Preferred stock repurchases	(12,845)					(12,845)
Dividends on preferred stock				(1,167)		(1,167)
Common stock dividend						—
Issuance of common stock		2,706	39,402			42,108
Notes repaid for common stock						—
Share-based awards and exercises		1	9			10
Compensation expense related to stock option grants			203			203
Balance, December 31, 2017	$ 0	6,392	79,501	15,768	(298)	101,363

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Cash Flows
Years ended December 31, 2017 and 2016

(dollars in thousands)

	2017	2016
December 31, 2017 and 2016		
Net income	$ 3,032	4,922
Adjustments to reconcile net income to net cash provided by operating activities		
Gain (loss) on sale of investment securities	(26)	3
Depreciation and amortization	963	1,788
Provision for credit losses	2,161	1,198
Compensation expense for stock options	203	175
Net change in fair value of loans held for sale	(41)	833
Net change in fair value of derivative instruments	427	122
Net (gain) loss on sale and write down of OREO and other repossessed property	—	24
Proceeds from sale of loans	726,147	994,951
Loans originated for sale	(688,721)	(910,239)
Mortgage banking income	(32,836)	(41,431)
Increase in accrued interest receivable	(413)	(173)
Decrease (increase) in other assets	(792)	932
Earnings from investment in life insurance	(276)	(125)
Increase in accrued interest payable	22	35
Deferred income tax (benefit) expense	(66)	(732)
Decrease in other liabilities	695	(155)
Net cash provided by (used in) operating activities	10,479	52,128
Cash flows from investing activities:		
Activity in available-for-sale securities		
Maturities, repayments and calls	4,073	6,321
Sales	1,115	
Purchases	(12,597)	(16,235)
Activity in held-to-maturity securities		
Maturities, repayments and calls	1,541	1,000
Purchases	—	—
Settlement of forward contracts	452	(965)
Acquisition of wealth management company	(3,225)	—
(Decrease) Increase in restricted stock	541	(140)
Net increase in loans	(93,190)	(104,618)
Purchases of premises and equipment	(2,410)	(3,542)
Proceeds from sale of OREO	58	165
Purchase of bank owned life insurance	(5,999)	—
Net cash used in investing activities	(109,641)	(118,014)
Cash flows from financing activities:		
Net increase in deposits	99,973	36,568
Increase (decrease) in short term borrowings	(11,803)	15,728
Repayment of long term debt (FHLB advances)	(162)	—
Principal repayment of long term debt (subordinated debt)	(68)	(69)
Repayment of long term debt (Acquisiton note)	(250)	
Proceeds from long term debt (FHLB advances)	—	1,200
Issuance of common stock	42,108	13,133
Share based awards and exercises	10	144
Notes repaid (received) for common stock	—	52
Excess tax benefit on share based awards	—	—
Redemption of preferred stock	(12,845)	—
Dividends paid on preferred stock	(1,167)	(1,156)
Net cash provided by financing activities	115,796	65,600
Net change in cash and cash equivalents	16,634	(286)
Cash and cash equivalents at beginning of year	18,872	19,158
Cash and cash equivalents at end of year	$ 35,506	18,872
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 6,760	5,157
Income taxes	2,754	2,722
Supplemental disclosure of noncash flow information:		
Transfers from loans and leases to real estate owned	$ (495)	—
Acquisition note payable	2,475	—
Net loan assets sold, not settled	2,766	
Common stock dividend	—	3,066

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

Meridian Bank (the Bank) was incorporated on March 16, 2004 under the laws of the Commonwealth of Pennsylvania and is a Pennsylvania state-chartered bank. The Bank commenced operations on July 8, 2004 and is a full-service bank providing personal and business lending and deposit services. As a state-chartered bank, the Bank is subject to regulation of the Pennsylvania Department of Banking and the Federal Deposit Insurance Corporation. The area served by the Bank is the southeastern area of Pennsylvania. The consolidated financial statements include accounts of the Bank and its wholly owned subsidiaries APEX Realty LLC, Meridian Wealth Partners LLC, and Meridian Land Settlement Services LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses.

(c) Significant Concentrations of Credit Risk

Most of the Bank's activities are with customers located within the tri-state area of Pennsylvania, Delaware and New Jersey. Note 5 discusses the types of securities that the Bank invests in. Note 6 discusses types of lending that the Bank engages in. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the region's economy. The Bank does not have any significant concentrations to any one industry or customer, however there is significant concentration of commercial real estate-backed loans, amounting to 36% and 38% of total loans held for investment, as of December 31, 2017 and December 31, 2016, respectively.

(d) Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are purchased or sold for one day periods. Cash balances required to meet regulatory reserve requirements of the Federal Reserve Board amounted to $1.2 million at December 31, 2017.

(e) Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Securities classified as available-for-sale are those securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Securities available-for-sale are carried at fair value. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Unrealized gains

(Continued)

and losses are reported as increases or decreases in other comprehensive income. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Securities classified as held to maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed on a level yield basis.

The Bank's accounting policy specifies that (a) if the Bank does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired, unless there is a credit loss. When the Bank does not intend to sell the security, and it is more likely than not, the Bank will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. The Bank did not recognize any other-than-temporary impairment charges during the years ended December 31, 2017 and 2016.

(f) Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank generally amortizes these amounts over the contractual life of the loan.

Loans that were originated by the Bank and intended for sale in the secondary market to permanent investors, but were either repurchased or unsalable due to defect, are held for the foreseeable future or until maturity or payoff, but are carried at fair value.

The accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and charged against current year income. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

(g) Allowance for Loan Losses

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable

(Continued)

are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Charge-offs for retail consumer loans are generally made for any balance not adequately secured after 120 cumulative days past due.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that are probable and estimable. Management's periodic evaluation of the adequacy of the allowance is based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is subjective as it requires material estimates that may be susceptible to significant revisions as more information becomes available. In addition, Federal regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for credit losses and may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management.

The allowance consists of general and specific components. The general component covers non-classified loans, as well as, non-impaired classified loans and is based on historical loss experience adjusted for qualitative factors. The specific component relates to loans that are classified as doubtful, substandard, or special mention and have been deemed impaired. Loan classifications are determined based on various assessments such as the borrower's overall financial condition, payment history, repayment sources, guarantors and value of collateral.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

For commercial and construction loans, impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral adjusted for cost to sell, if the loan is collateral dependent.

Large groups of smaller balance homogeneous residential mortgage and consumer loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual loans of this nature for impairment disclosures, unless such loans are troubled and the subject of a restructuring agreement.

Loans whose terms are modified are classified as troubled debt restructurings if the Bank grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a temporary reduction in interest rate or an extension of a loan's stated maturity date.

(Continued)

No portion of the allowance for loan losses is restricted to any individual loan or groups of loans, and the entire allowance is available to absorb any and all loan losses.

(h) Mortgage Banking Activities and Mortgage Loans Held for Sale

The Bank's mortgage banking division operates 15 offices in the tri-state area of Pennsylvania, Delaware and New Jersey. The mortgage banking division originates FHA insured and conventional mortgages and sells these loans to various investors in the secondary market. Mortgage loans originated by the Bank and intended for sale in the secondary market to permanent investors are carried at fair value and are classified as mortgage loans held for sale on the balance sheet. Gains and losses on loan sales are recorded in mortgage banking income. The Bank does not retain servicing on loans sold.

The Bank enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Time elapsing between the issuance of a loan commitment and closing and sale of the loan generally ranges from 30 to 120 days. The Bank protects itself from changes in interest rates through the use of best efforts forward sale contracts, whereby the Bank commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. The Bank also enters into mandatory loan sales commitments which are hedged by the future sale of mortgage-backed securities to third-party counterparties to mitigate the effect of changes in interest rates on the values of both the interest rate locks and mortgage loans held for sale. Mandatory loan sales commitments provide that the loan must be delivered or the commitment be paired off. By entering into best efforts commitments and hedging the mandatory commitments, the Bank limits its exposure to loss and its realization of significant gains related to its rate lock commitments due to changes in interest rates.

The Bank utilizes a third-party model which determines the fair value of rate lock commitments and forward sale contracts by using investor quotes while taking into consideration the probability that the rate lock commitments will close. Net derivative assets and liabilities are recorded within other assets or other liabilities, respectively, on the consolidated balance sheets, with changes in fair value during the period recorded within net change in the fair value of derivative instruments on the consolidated statements of income.

(i) Other Real Estate Owned

Other real estate owned (OREO) is comprised of property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure. The Bank acquires OREO through its wholly owned subsidiary, Apex Realty. OREO is recorded at the lower of cost or fair value, or the loan amount net of estimated selling costs, at the date of foreclosure. The cost basis of OREO is its recorded value at the time of acquisition. After acquisition, valuations are periodically performed by management and subsequent changes in the valuation allowance are charged to OREO expense. Revenues, such as rental income, and holding expenses are included in other income and other expenses, respectively.

(j) Restricted Investment in Bank Stock

Restricted bank stock is principally comprised of stock in the Federal Home Loan Bank of Pittsburgh (FHLB). Federal law requires a member institution of the FHLB to hold stock according to a predetermined formula. As of December 31, 2017, and 2016, the Bank had an investment of $6,763,600

(Continued)

and $7,305,300, respectively, related to the FHLB stock. Also included in restricted stock is Atlantic Central Bankers Bank (primary correspondent bank) stock in the amount of $50,000 as of December 31, 2017 and 2016, respectively. All restricted stock is carried at cost.

Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost is influenced by criteria such as (1) significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLB.

Management believes no impairment charge is necessary related to the FHLB restricted stock as of December 31, 2017 or 2016.

(k) Transfers of Financial Assets

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

(l) Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

(m) Advertising Costs

The Bank follows the policy of charging the costs of advertising to expense as incurred.

(n) Employee Benefit Plans

The Bank has a 401(k) Plan (the Plan) and an Employee Stock Ownership Plan (ESOP). All employees are eligible to participate in the Plan and ESOP after they have attained the age of 21 and have also completed 3 consecutive months of service. Employees must participate in the Plan to be eligible for participation in the ESOP. The employees may contribute to the Plan up to the maximum percentage allowable by law of their compensation. The Bank may make a discretionary matching contribution to the Plan and the ESOP. Full vesting in the Bank's contribution to the Plan and ESOP is over a three-year period. The Bank's contribution to the Plan and ESOP was $660,638 and $330,318, respectively for the year ended December 31, 2017 and $562,138 and $313,091, respectively for the year ended December 31, 2016. During the year ended December 31, 2017, 4,462 shares were purchased by the ESOP at an average market value of $17.50.

(Continued)

(o) Income Taxes

Deferred income taxes are provided on the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and net operating losses and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and net operating loss carry-forwards and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Bank follows accounting guidance related to accounting for uncertainty in income taxes. Under the "more likely than not" threshold guidelines, the Bank believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. As of December 31, 2017, and 2016, the Bank had no material unrecognized tax benefits or accrued interest and penalties. The Bank's policy is to account for interest as a component of interest expense and penalties as a component of other expense. The Bank is no longer subject to examination by federal, state and local taxing authorities for years before January 1, 2014.

(p) Stock Compensation Plans

Stock compensation accounting guidance requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options and restricted share plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate the fair value of stock options, while the market price of the Bank's common stock at the date of grant is used for restricted stock awards.

(q) Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

The components of other comprehensive income (loss) for the years ended December 31, 2017 and 2016 consist of unrealized holding gains and (losses) arising during the year on available-for-sale securities.

(r) Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the balance sheet when they are funded.

(Continued)

(s) Derivative Financial Instruments

The Bank recognizes all derivative financial instruments related to its mortgage banking activities on its balance sheet at fair value. The Bank utilizes investor quotes to determine the fair value of interest rate lock commitment derivatives and market pricing to determine the fair value of forward security purchase commitment derivatives. All changes in fair value of derivative instruments are recognized in earnings.

(t) Initial Public Offering

The Bank's initial public offering closed on November 7, 2017 and a total of 2,352,941 shares of common stock were sold at $17 per share. The Bank received gross proceeds of $40.0 million for the shares of common stock sold in the offering. On November 10, 2017 the underwriters associated with the initial public offering exercised their option to purchase additional shares of common stock. The Bank received additional gross proceeds of $6.0 million for the 352,941 shares of common stock sold from the exercise of the underwriters' option. Total proceeds, net of issuance costs, amounted to $42.1 million. Following completion of the public offering, the Bank became a publicly traded bank with the common stock listed on The NASDAQ Global Select Market under the symbol "MRBK".

(Continued)

(2) Earnings per Common Share

Basic earnings per common share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average common shares outstanding during the period. Diluted earnings per common share takes into account the potential dilution computed pursuant to the treasury stock method that could occur if stock options were exercised and converted into common stock. The effects of stock options are excluded from the computation of diluted earnings per share in periods in which the effect would be anti-dilutive. All weighted average shares, actual shares and per share information in the financial statements have been adjusted retroactively for the effect of stock dividends and splits.

(dollars in thousands except per share data)	Years Ended December 31, 2017	Years Ended December 31, 2016
Numerator:		
Net income available to common shareholders	$ 1,865	$ 3,766
Denominator for basic earnings per share - weighted average shares outstanding	3,743	3,362
Effect of dilutive common shares	27	27
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	3,770	3,389
Basic earnings per share	$ 0.50	$ 1.12
Diluted earnings per share	$ 0.49	$ 1.11
Antidilutive shares excluded from computation of average dilutive earnings per share	50	96

(3) Business Combinations

HJ Wealth Management, LLC (“HJ Wealth”)

The acquisition of HJ Wealth, a Pennsylvania-based wealth management firm, was completed on April 5, 2017. Immediately after the acquisition, HJ Wealth was merged into a new single member LLC, Meridian Wealth Partners, LLC. The consideration paid by the Bank was $5.7 million, of which $3.2 million was paid at closing, with a note payable of $2.5 million bearing interest at 3%. Interest and principal payments are due quarterly through April 1, 2020. The note payable may be reduced if certain contractual considerations are not met. The cost of the acquisition was $114,000 for professional fees, which were expensed. The acquisition enhanced the Bank’s ability to offer comprehensive wealth management and fiduciary services to clients and the goodwill is related to expected synergies between the respective customer bases.

(Continued)

In connection with the HJ Wealth acquisition, the following table details the consideration paid, the fair value of identifiable assets acquired as of the date of acquisition and the resulting goodwill recorded:

(dollars in thousands)

Consideration Paid:		
Cash paid at closing	$	3,025
Purchaser note		2,475
Seller fees paid by buyer		200
Value of consideration		5,700
Assets acquired:		
Intangible assets - trade name		266
Intangible assets - customer relationships		4,083
Intangible assets - non competition agreements		275
Contingent asset		177
Total assets		4,801
Goodwill resulting from acquisition of HJ Wealth	$	899

No liabilities were assumed in connection with the HJ Wealth acquisition.

Through December 31, 2017, $2,599,000 of revenue is attributable to the acquisition.

All goodwill associated with the acquisition of HJ Wealth is included in the Wealth segment in Footnote 22 to the financial statements.

(Continued)

(4) Goodwill and Other Intangibles

The Bank's goodwill and intangible assets related to the acquisition of HJ Wealth, LLC in April 2017 are detailed below:

(dollars in thousands)

	Balance December 31, 2016	Additions/ Adjustments	Amortization	Balance December 31, 2017	Amortization Period (in years)
Goodwill - Wealth	$ -	$ 899	$ -	$ 899	Indefinite
Total	$ -	$ 899	$ -	$ 899	
Intangible assets - trade name	$ -	$ 266	$ -	$ 266	Indefinite
Intangible assets - customer relationships	-	4,083	(153)	3,930	20
Intangible assets - non competition agreements	-	275	(52)	223	4
Contingent asset	-	177	-	177	N/A
Total	$ -	$ 4,801	$ (205)	$ 4,596	
Grand total	$ -	$ 5,700	$ (205)	$ 5,495	

The contingent asset is marked to fair value on a quarterly basis through the term of the purchaser note, April 1, 2020.

The Bank performed its annual review of goodwill and identifiable intangible assets in accordance with ASC 350, "Intangibles Goodwill and Other." For the twelve months ended December 31, 2017, the Bank determined there were no events that would necessitate impairment testing of goodwill and other intangible assets.

Future schedule of amortization (in thousands):

2018	$ 273
2019	273
2020	273
2021	221
2022	204
Thereafter	2,909
	$ 4,153

(5) Securities

The amortized cost and approximate fair value of securities as of December 31, 2017 and 2016 are as follows:

(dollars in thousands)	December 31, 2017			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Securities available-for-sale:				
U.S. government agency mortgage-backed securities	21,439	19	(190)	21,268
U.S. government agency collateralized mortgage obligations	7,875	2	(99)	7,778
State and municipal securities	10,079	14	(134)	9,959
Investments in mutual funds and other equity securities	1,000	1	—	1,001
Total securities available-for-sale	$ 40,393	36	(423)	40,006
Securities held to maturity:				
U.S. Treasuries	$ 1,978	—	(8)	1,970
State and municipal securities	10,883	86	(70)	10,899
Total securities held-to-maturity	$ 12,861	86	(78)	12,869

(Continued)

(dollars in thousands)	December 31, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Securities available-for-sale:				
U.S. government agency securities	$ —	—	—	—
U.S. government agency mortgage-backed securities	21,668	41	(227)	21,482
U.S. government agency collateralized mortgage obligations	1,436	5	(7)	1,434
State and municipal securities	9,397	—	(287)	9,110
Investments in mutual funds and other equity securities	1,000	1	—	1,001
Total securities available-for-sale	$ 33,501	47	(521)	33,027
Securities held to maturity:				
U.S. Treasuries	$ 1,965	9	—	1,974
State and municipal securities	12,560	25	(215)	12,370
Total securities held-to-maturity	$ 14,525	34	(215)	14,344

At December 31, 2017, the Bank had two U.S. Government agency securities, nineteen U.S. Government sponsored agency mortgage-backed securities, eight U.S. Government sponsored agency collateralized mortgage obligations and twenty-two State and municipal securities in unrealized loss positions. At December 31, 2016, the Bank had thirteen U.S. Government agency securities, two U.S. Government sponsored agency collateralized mortgage obligations and fourteen State and municipal securities in unrealized loss positions. As of December 31, 2017, the Bank did not intend to sell these securities prior to recovery and it is more likely than not that the Bank will not be required to sell these securities prior to recovery to satisfy liquidity needs, and therefore, no securities are deemed to be other-than-temporarily impaired.

The following table shows the Bank’s investment gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in continuous unrealized loss position at December 31, 2017 and 2016:

(Continued)

(dollars in thousands)	December 31, 2017					
	Less than 12 Months		12 Months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Securities						
U.S. Treasuries securities	$ 1,962	(8)	—	—	1,962	(8)
U.S. government agency mortgage-backed securities	9,788	(28)	7,854	(162)	17,642	(190)
State and municipal securities	10,998	(127)	2,818	(77)	13,816	(204)
U.S. government agency collateralized mortgage obligations	6,732	(81)	860	(18)	7,592	(99)
Total securities	$ 29,480	(244)	11,532	(257)	41,012	(501)

(dollars in thousands)	December 31, 2016					
	Less than 12 Months		12 Months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Securities						
U.S. government agency securities	$ —	—	—	—	—	—
U.S. government agency mortgage-backed securities	9,684	(198)	3,392	(31)	13,076	(229)
State and municipal securities	17,764	(501)	—	—	17,764	(501)
U.S. government agency collateralized mortgage obligations	1,167	(7)	—	—	1,167	(7)
Total securities	$ 28,615	(706)	3,392	(31)	32,007	(737)

The amortized cost and carrying value of securities at December 31, 2017 are shown below by contractual maturities. Actual maturities may differ from contractual maturities as issuers may have the right to call or repay obligations with or without call or prepayment penalties.

(dollars in thousands)	December 31, 2017			
	Available-for-sale		Held-to-maturity	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$ —	—	—	—
Due after one year through five years	5,630	5,587	3,803	3,791
Due after five years through ten years	6,298	6,228	7,180	7,156
Due after ten years	28,465	28,191	1,878	1,922
	$ 40,393	40,006	12,861	12,869

(Continued)

(6) Loans Receivable

Loans and leases outstanding at December 31, 2017 and 2016 are detailed by category as follows:

(dollars in thousands)	2017	2016
Mortgage loans held for sale	$ 35,024	39,573
Real estate loans:		
Commercial mortgage	263,141	225,564
Home equity lines and loans	84,039	85,385
Residential mortgage	32,375	30,295
Construction	104,970	65,846
Total real estate loans	484,525	407,090
Commercial and industrial	209,996	196,091
Consumer	1,022	450
Leases, net	762	1,469
Total portfolio loans and leases	696,305	605,100
Total loans and leases	$ 731,329	644,673
Loans with predetermined rates	$ 202,317	193,378
Loans with adjustable or floating rates	529,012	451,295
Total loans and leases	$ 731,329	644,673
Net deferred loan origination (fees) costs	$ (1,668)	(809)

Components of the net investment in leases at December 31, 2017 and 2016 are detailed as follows:

(dollars in thousands)	2017	2016
Minimum lease payments receivable	$ 793	1,550
Unearned lease income	(31)	(81)
Total	$ 762	1,469

(Continued)

Age Analysis of Past Due Loans and Leases

The following table presents an aging of the Bank's loan and lease portfolio as of December 31, 2017 and 2016, respectively:

(dollars in thousands)

December 31, 2017	30-89 Days past due	Over 89 days past due and nonaccrual loans	Total past due	Current	Total loans and leases	Delinquency percentage
Commercial mortgage	$ -	414	414	262,727	263,141	0.16%
Home equity lines and loans	142	137	279	83,760	84,039	0.33
Residential mortgage	734	1,084	1,818	30,557	32,375	5.62
Construction	-	185	185	104,785	104,970	0.18
Commercial and industrial	-	1,326	1,326	208,670	209,996	0.63
Consumer	-	-	—	1,022	1,022	—
Leases	87	11	98	664	762	12.86
	$ 963	3,157	4,120	692,185	696,305	0.59%

As of December 31, 2017, there was one lease with a total unpaid principal balance of $11,000 that was 90 days past due and still accruing.

(dollars in thousands)

December 31, 2016	30-89 Days past due	Over 89 days past due and nonaccrual loans	Total past due	Current	Total loans and leases	Delinquency percentage
Commercial mortgage	$ 589	892	1,481	224,083	225,564	0.66%
Home equity lines and loans	264	132	396	84,989	85,385	0.46
Residential mortgage	122	298	420	29,875	30,295	1.39
Construction	-	219	219	65,627	65,846	0.33
Commercial and industrial	-	3,741	3,741	192,350	196,091	1.91
Consumer	-	-	—	450	450	—
Leases	172	42	214	1,255	1,469	14.57
	$ 1,147	5,324	6,471	598,629	605,100	1.07%

As of December 31, 2016, there were three leases with a total unpaid principal balance of $42,000 that were 90 days past due and still accruing.

(7) Allowance for Loan Losses (the Allowance)

Roll-Forward of Allowance for Loan and Lease Losses by Portfolio Segment

The following table details the roll-forward of the Bank's allowance, by portfolio segment, as of December 31, 2017 and 2016, respectively:

December 31, 2017

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Balance, December 31, 2016	$	2,038	460	85	690	1,973	2	5	172	5,425
Charge-offs		(119)	(42)	—	—	(1,338)	—	—	—	(1,499)
Recoveries		218	48	130	—	221	5	—	—	622
Provision for loan and lease losses		297	(186)	(133)	999	1,358	(2)	—	(172)	2,161
Balance, December 31, 2017	$	2,434	280	82	1,689	2,214	5	5	—	6,709

December 31, 2016

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Balance, December 31, 2015	$	1,635	455	254	700	2,247	2	5	—	5,298
Charge-offs		(219)	(248)	(225)	—	(633)	(1)	—	—	(1,326)
Recoveries		13	185	4	2	47	4	—	—	255
Provision for loan and lease losses		609	68	52	(12)	312	(3)	—	172	1,198
Balance, December 31, 2016	$	2,038	460	85	690	1,973	2	5	172	5,425

Allowance for Loan and Lease Losses Allocated by Portfolio Segment

The following table details the allocation of the allowance for loan and lease losses by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of December 31, 2017 and 2016, respectively:

December 31, 2017

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Allowance on loans and leases:										
Individually evaluated for impairment	$	—	—	—	—	1	—	—	—	1
Collectively evaluated for impairment		2,434	280	82	1,689	2,213	5	5	—	6,708
Total	$	2,434	280	82	1,689	2,214	5	5	—	6,709

(Continued)

December 31, 2016

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Allowance on loans and leases:										
Individually evaluated for impairment	$	11	—	13	—	297	—	—	—	321
Collectively evaluated for impairment		2,027	460	72	690	1,676	2	5	172	5,104
Total	$	2,038	460	85	690	1,973	2	5	172	5,425

The following table details the carrying value for loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of December 31, 2017 and 2016, respectively:

December 31, 2017

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Total
Carrying value of loans and leases:									
Individually evaluated for impairment	$	1,533	137	249	260	2,506	—	—	4,685
Collectively evaluated for impairment		261,607	83,902	22,155	104,710	207,490	1,022	762	681,648
Total	$	263,141	84,039	22,404	104,970	209,996	1,022	762	686,333

December 31, 2016

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Total
Carrying value of loans and leases:									
Individually evaluated for impairment	$	1,461	132	137	219	4,438	—	—	6,387
Collectively evaluated for impairment		224,103	85,253	20,868	65,627	191,653	450	1,469	589,423
Total	$	225,564	85,385	21,005	65,846	196,091	450	1,469	595,810

(1) Excludes deferred fees and loans carried at fair value.

Loans and Leases by Credit Ratings

As part of the process of allocating the Allowance to the different segments of the loan and lease portfolio, Management considers certain credit quality indicators. For the commercial mortgage, construction and commercial and industrial loan segments, periodic reviews of the individual loans are performed by Management. The results of these reviews are reflected in the risk grade assigned to each loan. These internally assigned grades are as follows:

(Continued)

- Pass – Loans considered to be satisfactory with no indications of deterioration
- Special Mention – Loans classified as special mention have a potential weakness that deserves Management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.
- Substandard - Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Substandard loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
- Doubtful - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Loan balances classified as doubtful have been reduced by partial charge-offs and are carried at their net realizable values.

The following table details the carrying value of loans and leases by portfolio segment based on the credit quality indicators used to allocate the allowance for loan and lease losses as of December 31, 2017 and 2016, respectively:

December 31, 2017 *(dollars in thousands)*	**Pass**	**Special mention**	**Substandard**	**Doubtful**	**Total**
Commercial mortgage	$ 258,337	3,917	887	—	263,141
Home equity lines and loans	83,902	—	137	—	84,039
Construction	103,118	1,852	—	—	104,970
Commercial and industrial	194,784	13,997	448	767	209,996
Total	$ 640,141	19,766	1,472	767	662,146

(Continued)

December 31, 2016

(dollars in thousands)	Pass	Special mention	Substandard	Doubtful	Total
Commercial mortgage	$ 217,249	6,854	1,461	—	225,564
Home equity lines and loans	85,253	—	132	—	85,385
Construction	63,406	2,221	—	219	65,846
Commercial and industrial	188,496	3,157	3,861	577	196,091
Total	$ 554,404	12,232	5,454	796	572,886

In addition to the allocations based on the credit quality indicators as shown in the above tables, allowance allocations for residential mortgages, consumer loans and leases are also applied based on their performance status as December 31, 2017 and 2016, respectively. No Troubled Debt Restructurings performing according to modified terms are included in Performing Residential mortgage below for the twelve months ended December 31, 2017 and 2016, respectively.

December 31, 2017

(dollars in thousands)	Residential mortgage	Consumer	Leases	Total
Performing	$ 22,154	1,022	762	23,938
Nonperforming	249	—	—	249
Total	$ 22,403	1,022	762	24,187

December 31, 2016

(dollars in thousands)	Residential mortgage	Consumer	Leases	Total
Performing	$ 20,868	451	1,469	22,788
Nonperforming	137	—	—	137
Total	$ 21,005	451	1,469	22,925

(Continued)

Impaired Loans

The following tables detail the recorded investment and principal balance of impaired loans by portfolio segment, their related allowance for loan and lease losses and interest income recognized for the periods. No interest income was recognized on a cash-basis in 2017 or 2016.

(dollars in thousands) **December 31, 2017**		**Recorded investment**	**Principal balance**	**Related allowance**	**Average principal balance**
Impaired loans with related allowance:					
Commercial mortgage	$	—	—	—	—
Commercial and industrial		124	491	1	491
Home equity lines and loai		—	—	—	—
Residential mortgage		—	—	—	—
Construction		—	—	—	—
Total		124	491	1	491
Impaired loans without related allowance:					
Commercial mortgage	$	1,534	2,025	—	2,026
Commercial and industrial		1,907	3,180	—	3,179
Home equity lines and loai		137	137	—	137
Residential mortgage		249	249	—	249
Construction		260	260	—	267
Total		4,087	5,851	—	5,858
Grand total	$	4,211	6,342	1	6,349

(Continued)

(dollars in thousands)

December 31, 2016	Recorded investment	Principal balance	Related allowance	Average principal balance
Impaired loans with related allowance:				
Commercial mortgage $	186	188	11	186
Commercial and industrial	1,096	1,487	297	1,096
Home equity lines and loai	—	—	—	—
Residential mortgage	137	137	13	137
Construction	—	—	—	—
Total	1,419	1,812	321	1,419
Impaired loans without related allowance:				
Commercial mortgage $	1,275	1,719	—	1,275
Commercial and industrial	3,342	3,571	—	3,340
Home equity lines and loai	132	139	—	132
Residential mortgage	—	—	—	—
Construction	219	463	—	219
Total	4,968	5,892	—	4,966
Grand total $	6,387	7,704	321	6,385

Troubled Debt Restructuring

The restructuring of a loan is considered a "troubled debt restructuring" if both of the following conditions are met: (i) the borrower is experiencing financial difficulties, and (ii) the creditor has granted a concession. The most common concessions granted include one or more modifications to the terms of the debt, such as (a) a reduction in the interest rate for the remaining life of the debt, (b) an extension of the maturity date at an interest rate lower than the current market rate for new debt with similar risk, (c) a temporary period of interest-only payments, (d) a reduction in the contractual payment amount for either a short period or remaining term of the loan, and (e) for leases, a reduced lease payment. A less common concession granted is the forgiveness of a portion of the principal.

The determination of whether a borrower is experiencing financial difficulties takes into account not only the current financial condition of the borrower, but also the potential financial condition of the borrower, were a concession not granted. The determination of whether a concession has been granted is very subjective in nature. For example, simply extending the term of a loan at its original interest rate or even at a higher interest rate could be interpreted as a concession unless the borrower could readily obtain similar credit terms from a different lender.

(Continued)

The balance of TDRs at December 31, 2017 and 2016 are as follows:

(dollars in thousands)

		2017	2016
TDRs included in nonperforming loans and leases	$	741	3,482
TDRs in compliance with modified terms		1,900	2,279
Total TDRs	$	2,641	5,761

The following table presents information regarding loan and lease modifications granted during the twelve months ended December 31, 2017 that were categorized as TDRs:

($ in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Related Allowance
Real Estate:				
Commercial mortgage	1	177	177	-
Commercial and industria	1	165	165	-
	2	342	342	-
Contracts that subsequently defaulted:				
Real Estate:				
Commercial mortgage	-	-	-	-
Commercial and industria	1	165	165	-
	1	165	165	-

The following table presents information regarding loan and lease modifications granted during the twelve months ended December 31, 2016 that were categorized as TDRs:

($ in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Related Allowance
Real Estate:				
Commercial mortgage	1	119	119	-
Commercial and industria	1	2,247	2,247	-
	2	2,366	2,366	-
Contracts that subsequently defaulted:				
Real Estate:				
Commercial mortgage	1	119	119	-
Commercial and industrial	1	2,247	2,247	-
	2	2,366	2,366	-

Contracts that have subsequently defaulted on the above table consist of restructured loans that have been classified as non-accrual.

The following tables present information regarding the number of contracts by type of loan and lease modifications made for the twelve months ended December 31, 2017 and 2016:

December 31, 2017	Loan Term Extension	Interest Rate Change and Loan Term Extension
Commercial mortgage	1	-
Commercial and industrial	-	1
Total	1	1

December 31, 2016	Loan Term Extension	Interest Rate Change and Loan Term Extension
Commercial mortgage	-	1
Commercial and industrial	1	-
Total	1	1

(Continued)

(8) Bank Premises and Equipment

The components of premises and equipment, net of depreciation, at December 31, 2017 and 2016 are as follows:

(dollars in thousands)	2017	2016
Building	$ 3,379	$ 3,448
Leasehold improvements	1,642	681
Land	600	600
Land Improvements	183	198
Furniture, fixtures and equipment	1,261	910
Computer equipment and data processing software	2,676	2,879
	$ 9,741	$ 8,716

Total accumulated depreciation at December 31, 2017 totaled $5,048,000 and $3,662,000 at December 31, 2016.

(9) Deposits

The components of deposits at December 31, 2017 and 2016 are as follows:

(dollars in thousands)	2017	2016
Demand, noninterest bearing	$ 100,454	96,102
Demand, interest-bearing	81,872	70,582
Savings Accounts	303	180
Money market accounts	226,070	173,870
Time, $100,000 and over	207,219	177,866
Time, other	11,191	8,536
Total	$ 627,109	527,136

At December 31, 2017, the scheduled maturities of time deposits are as follows (in thousands):

2018	$ 159,501
2019	53,136
2020	5,129
2021	527
2022	117
	$ 218,410

(10) Short-Term Borrowings and Long-Term Debt

The Bank’s short-term borrowings generally consist of federal funds purchased and short-term borrowings extended under agreements with Federal Home Loan Bank of Pittsburgh. The Bank has two Federal Funds

(Continued)

borrowing facilities with correspondent banks: one of $10,000,000 and one of $16,000,000, respectively. The first $5,000,000 and $11,000,000, respectively, borrowed under each facility is unsecured and the remaining balance would be secured by securities safe-kept with the correspondent banks. Federal funds purchased generally represent one-day borrowings. The Bank had no Federal funds purchased at December 31, 2017 or December 31, 2016, respectively. The Bank also has a facility with the Federal Reserve discount window of $11,698,744. This facility is secured by investment securities and loans. There were no borrowings under this facility at December 31, 2017.

Short-term borrowings as of December 31, 2017 consisted of short-term advances from FHLB of Pittsburgh in the amount of $93,750,000 with interest at 1.54%, $1,200,000 with an original term of 2 years and interest at 0.97%, $2,500,000 with an original term of five years and interest at 1.92%, $1,000,000 with an original term of 4 years and interest at 1.68%, and $1,300,000 with an original term of 4 years and interest at 1.55%

Short-term borrowings as of December 31, 2016 consisted of short-term advances from FHLB of Pittsburgh in the amount of $100,363,000 with interest at 0.74%, $1,190,000 with interest at 0.78% and $4,000,000 with an original term of 5 years and interest at 1.03%, respectively.

Long-term debt at December 31, 2017 consisted of the following fixed rate notes with the FHLB of Pittsburgh:

(dollars in thousands)	Maturity date	Interest rate		Balance at December 31, 2017	Balance at December 31, 2016
Mid-term Repo-fixed	08/10/20	2.76%		5,000	5,000
Mid-term Repo-fixed	09/17/18	1.92%		-	2,500
Mid-term Repo-fixed	03/28/18	1.68%		-	1,000
Mid-term Repo-fixed	03/28/18	1.55%		-	1,300
Mid-term Repo-fixed	06/26/19	1.70%		1,800	1,800
Mid-term Repo-fixed	10/29/18	0.97%		-	1,200
Acquisition Purchase Note	04/01/20	3.00%		2,063	
			$	8,863	12,800

The FHLB of Pittsburgh had issued $63,100,000 of letters of credit to the Bank for the benefit of the Bank's public deposit funds and loan customers. These letters of credit expire throughout 2018.

The Bank has a maximum borrowing capacity with the FHLB of Pittsburgh of $380,159,142 and $350,055,100 as of December 31, 2017 and 2016, respectively. All advances and letters of credit from the FHLB are secured by qualifying assets of the Bank.

(11) Subordinated Debentures

In December 2008, the Bank issued $550,000 of mandatory convertible unsecured subordinated debentures (2008 Debentures). The 2008 Debentures have a maturity date of December 18, 2023 and interest on the 2008 Debentures is paid quarterly at 6%. The 2008 Debentures are convertible into 1.05 shares of the Bank's common stock for every $15 in principal amount of the 2008 Debentures automatically on such date, if any, as accumulated losses of the Bank first exceed the sum of the retained earnings and capital surplus accounts

(Continued)

of the Bank. The 2008 Debentures began to repay principal in eight equal installments which commenced in December of 2016. As of December 31, 2017, $412,500 of the 2008 Debentures remained outstanding.

In December 2011, the Bank issued $1,425,000 of mandatory convertible unsecured subordinated debentures (2011 Debentures). The 2011 Debentures have a maturity date of December 31, 2026 and interest on the 2011 Debentures is paid quarterly at 6%. The 2011 Debentures are convertible into 1 share of the Bank's common stock for every $17 in principal amount of the 2011 Debentures automatically on such date, if any, as accumulated losses of the Bank first exceed the sum of the retained earnings and capital surplus accounts of the Bank.

In April 2013, the Bank issued $1,370,000 of mandatory convertible unsecured subordinated debentures (2013 Debentures). The 2013 Debentures have a maturity date of December 31, 2028 and interest on the 2013 Debentures is paid quarterly at 6.5%. The 2013 Debentures are convertible into 1 share of the Bank's common stock for every $22 in principal amount of the 2013 Debentures automatically on such date, if any, as accumulated losses of the Bank first exceed the sum of the retained earnings and capital surplus accounts of the Bank.

In June, August and September 2014, the Bank issued $3,000,000, $100,000 and $7,000,000 of non-convertible unsecured subordinated debentures (2014 Debentures). The 2014 Debentures have maturity dates of June 30, 2024, June 30, 2024 and September 30, 2024, respectively. Interest on all three tranches of the 2014 Debentures is paid quarterly at 7.25%.

The 2008, 2011, 2013 and 2014 Debentures are includable as Tier 2 capital for determining the Bank's compliance with regulatory capital requirements (see note 19). Upon conversion, the 2008, 2011 and 2013 Debentures become Tier 1 Capital.

(12) Preferred Stock

In October 2008, the United States Treasury Department announced a voluntary Capital Purchase Program, a part of the Troubled Asset Relief Program (TARP), to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. Meridian Bank received approval for these capital funds.

On February 13, 2009, the Bank entered into a Letter Agreement with the United States Department of the Treasury pursuant to which the Bank issued and sold to the Treasury (i) 6,200 shares of the Bank's Series 2009A Preferred Stock and (ii) a warrant to purchase 310 shares of the Bank's Series 2009B Preferred Stock for an aggregate purchase price of $6.2 million in cash (TARP funds). The warrant was exercised as a cashless exercise on February 13, 2009 and 310 shares of Series 2009B Preferred Stock were issued on that date. Series 2009A Preferred Stock paid cumulative dividends of 5% per annum for the first five years and pay 9% per annum thereafter. Series 2009B Preferred Stock pays dividends of 9% per annum.

On December 3, 2009, the Bank entered into a second agreement with the United States Department of the Treasury pursuant to which the Bank issued and sold to the Treasury 6,335 shares of the Bank's Series 2009 C Preferred Stock for $6,335,000. There were no warrants issued with the Series 2009C Preferred Stock and the Series 2009 C Preferred Stock paid dividends of 5% per annum for the first five years and pays 9% per annum thereafter.

On March 7, 2014, Meridian Bank participated in the United States Treasury Department auction in which all 12,845 shares were sold to private investors. The rate and term of the shares remain the same, while the Treasury Department standards in regards to executive compensation limitations and corporate governance are no longer applicable.

All series of the preferred stock qualified as Tier 1 capital while outstanding. All 12,845 preferred shares were redeemed by the Bank in December 2017. No preferred stock was outstanding at December 31, 2017.

(13) Lease Commitments

The Bank leases seventeen branch spaces from third parties under operating lease agreements expiring at different periods through December 2026. Under all current agreements, the Bank is responsible for its portion of real estate taxes, utilities, insurance, and repairs and maintenance.

Total rental expense for the years ended December 31, 2017 and 2016 was $1,693,306 and $1,177,904, respectively. Future minimum lease payments by year and in the aggregate, under these lease agreements, are as follows:

Future minimum lease payments (in thousands):

2018	$	1,288
2019		1,191
2020		927
2021		878
2022		717
Thereafter		3,770
	$	8,771

(14) Stockholders’ Equity and Stock Option Plan

On August 25, 2016, the Board of Directors approved a stock distribution in the form of a 5% stock dividend to stockholders of record as of September 2, 2016. Since the Bank had cumulative retained earnings, it transferred the fair market value of the shares issued from retained earnings to common stock and surplus.

All references to number of common shares and per share amounts in the financial statements and related notes have been restated as appropriate to reflect the effect of the stock dividends for all periods presented.

The Bank has issued stock options under the 2004 Stock Option Plan, which is no longer in effect. The Plan authorized the Board of Directors to grant options up to an aggregate of 446,091 shares, as adjusted for the 5% stock dividends in 2012, 2014 and 2016 to officers, other employees and directors of the Bank. No additional shares are available for future grants. The shares granted under the Plan to directors are nonqualified options. The shares granted under the Plan to officers and other employees are “incentive stock options,” and are subject to the limitations under Section 422 of the Internal Revenue Code.

All options granted under the 2004 Stock Option Plan have a term that does not exceed ten years. The exercise price of the options granted is the fair market value of a share of common stock at the time of the grant.

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The Bank has a 2016 Stock Option Plan, which authorizes the Board of Directors to grant options up to an aggregate of 186,900 shares, adjusted for the 2016 5% stock dividend. A total of 48,750 shares have been granted under the 2016 plan through December 31, 2017. Shares granted under the 2016 plan to directors are nonqualified options, while shares granted to officers and other employees are "incentive stock options", and are subject to the limitations under Section 422 of the Internal Revenue Code.

Stock-based compensation cost is measured at the grant date, based on the fair value of the award and is recognized as an expense over the vesting period. The fair value of stock option grants is determined using the Black-Scholes pricing model. The assumptions necessary for the calculation of the fair value are expected life of options, annual volatility of stock price, risk-free interest rate and annual dividend yield.

A summary of the status of the Bank's outstanding stock options as of December 31, 2017 and 2016, and the change in outstanding stock options during the years ended December 31, 2017 and 2016, as adjusted for the 5% stock dividends is represented below:

	Shares	Average exercise price
Outstanding at December 31, 2015	116,813	11.45
Exercised	(36,177)	10.23
Granted	88,722	15.26
Expired	-	-
Forfeited	-	-
Outstanding at December 31, 2016	169,358	13.70
Exercised	(1,037)	9.88
Granted	48,750	19.00
Expired	(3,187)	10.19
Forfeited	(1,969)	14.22
Outstanding at December 31, 2017	211,915	14.99
Exercisable at December 31, 2017	129,530	$ 13.77

The weighted average remaining contractual life of the outstanding stock options at December 31, 2017 is 7.63 years. The weighted average remaining life of options exercisable at December 31, 2017 is 6.87 years. The range of exercise prices is $9.88 to $19.00. The aggregate intrinsic value of options outstanding and exercisable was $803,924 as of December 31, 2017.

The fair value of each option granted in 2017 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk-free interest rate of 2.17%, expected life of 7 years, and expected volatility of 19.70%. The volatility percentage was based on the average expected volatility of similar public financial institutions in the Bank's market area. The weighted average fair value of options granted in 2017 was $4.05 per share.

The fair value of each option granted in 2016 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk-free interest rate of 1.48%, expected life of 7 years, and expected volatility of 20.71%. The volatility percentage

(Continued)

was based on the average expected volatility of similar public financial institutions in the Bank's market area. The weighted average fair value of options granted in 2016 was $3.83 per share.

Total stock compensation cost for the years ended December 31, 2017 and 2016 was $202,695 and $175,437, respectively. During 2017, there was a $9,386 tax benefit recognized related to stock compensation cost and in 2016, there were no tax benefits recognized related to stock compensation cost.

As of December 31, 2017, there was no unrecognized compensation cost related to non-vested stock options.

(15) Federal Income Taxes

The components of the federal and state income tax expense for the years ended December 31, 2017 and 2016 are as follows:

(dollars in thousands)		2017	2016
Federal:			
Current	$	2,612	3,082
Deferred		(51)	(698)
		2,561	2,384
State:			
Current		208	249
Deferred		(15)	(34)
		193	215
Totals	$	2,754	2,599

A reconciliation of the statutory income tax at 34% to the income tax expense included in the statement of operations is as follows for 2017 and 2016:

(dollars in thousands)	2017		2016	
Federal income tax at statutory rate	1,967	34.0%	2,557	34.0%
State tax expense, net of federal benefit	127	2.0	142	1.9
Adjustment of net deferred tax assets for enacted change in tax laws and rate	737	12.5	—	—
Tax exempt interest	(156)	(2.7)	(151)	(2.0)
Bank owned life insurance	(94)	(1.6)	(42)	(0.6)
Incentive stock options	60	1.0	46	0.6
Stock offering costs	45	0.8	—	—
Other	68	1.6	47	0.6
Effective income tax rate	2,754	47.6%	2,599	34.5%

(Continued)

The components of the net deferred tax asset at December 31, 2017 and 2016 are as follows:

(dollars in thousands)		2017	2016
Deferred tax assets:			
Allowance for loan loss	$	1,518	1,725
Intangibles		37	—
Accrued incentive compensation		—	14
Accrued retirement		330	444
Unrealized loss on available for sale securities		87	167
Deferred rent		170	280
Mortgage repurchase reserve		31	115
Other		43	55
		2,216	2,800
Deferred tax liabilities:			
Property and equipment		(571)	(762)
Mortgage pipeline fair-value adjustment		(79)	(111)
Hedge instrument fair-value adjustment		(53)	(236)
Prepaid expenses		(88)	(43)
Deferred loan costs		(113)	(378)
		(904)	(1,530)
Net deferred tax asset	$	1,312	1,270

The effective tax rates for the twelve-month periods ended December 31, 2017 and 2016 were 47.6% and 34.5% respectively. The increase in rate from 34.5% to 47.6% between 2016 and 2017 was directly related to the passage of H.R.1, formerly known as the Tax Cuts and Jobs Act (the Act) on December 22, 2017. The Act lowered the top federal corporate rate from 35% to 21%. In accordance with GAAP, this required the re-measurement, in the period including the enactment, of the Bank's net deferred tax asset to reflect the rate at which they will be recognized in future periods. The result was a $737 thousand one-time charge to income tax expense. Excluding the $737 thousand discrete income tax charge, the effective tax rate for 2017 was 34.9%

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deferred tax assets.

(Continued)

Based on projections of future taxable income over periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Bank will realize the benefits of these deductible differences.

As of December 31, 2017, the Bank had an investment in low income housing tax credits of $1,890,770 on which it recognized tax credits of $40,545, amortization of $89,573 and tax benefits from losses of $63,578 during the year ended December 31, 2017.

(16) Transactions with Executive Officers, Directors and Principal Stockholders

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, their immediate families and affiliated companies (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. Loans receivable from related parties totaled $1,391,000 and $1,798,000 at December 31, 2017 and 2016, respectively. Advances and repayments during 2017 totaled $2,442,000 and $2,648,000 respectively. Advances and repayments during 2016 totaled $1,722,000 and $1,929,000 respectively. Deposits of related parties totaled $8,043,000 and $8,174,000 at December 31, 2017 and 2016, respectively. Subordinated debt held by related parties totaled $1,148,000 and $1,229,000 at December 31, 2017 and 2016, respectively.

The Bank paid legal fees of $44,557 and $31,000 to a law firm of a director for the years ended December 31, 2017 and 2016, respectively.

(17) Financial Instruments with Off-Balance Sheet Risk, Commitments and Contingencies

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of the Bank's financial instrument commitments at December 31, 2017 and 2016 is as follows:

(dollars in thousands)		2017	2016
Commitments to grant loans and commitments under lines of credit	$	220,180	195,162
Letters of credit		1,809	1,806

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment

(Continued)

of a fee. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Outstanding letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Bank requires collateral supporting these letters of credit as deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of December 31, 2017 and 2016 for guarantees under standby letters of credit issues is not material.

Included in commitments to grant loans are mortgage loan commitments of $45,775,000 and $54,110,000 in 2017 and 2016, respectively, which included interest rate lock commitments. These rate lock commitments represent an agreement to extend credit to a mortgage loan applicant whereby the interest rate on the loan is set prior to funding. The loan commitment binds the Bank to lend funds to a potential borrower at the specified rate, regardless of whether interest rates change between the commitment date and the loan funding date. The Bank loan commitments generally range between 30-90 days; however, the borrower is not obligated to obtain the loans. As such, these commitments are subject to interest rate risk and related price risk during the period from interest rate lock commitment through the loan funding date or expiration date. The Bank hedges its mandatory delivery channel using the forward sale of mortgage-backed securities, in addition to best-efforts forward sale commitments to substantially eliminate these risks. At December 31, 2017 and 2016, the Bank had a notional hedge amount of $38,750,000 and $25,500,000, respectively. At December 31, 2017 and 2016, the Bank had best efforts forward sale commitments to sell loans amounting to $10,220,000 and $27,128,000, respectively. The Bank is only obligated to settle the forward sale commitment if the loan closes in accordance with the terms of the interest rate lock commitment. The Bank's forward sale commitments generally expire within 90 days.

Loans sold under FHA or investor programs are subject to repurchase or indemnification if they fail to meet the origination criteria of those programs. In addition, loans sold to investors may be subject to repurchase or indemnification if the loan is two or three months delinquent during a set period that usually varies from the first six months to a year after the loan is sold. At December 31, 2017 there were no indemnification or repurchase requests pending.

Management feels that potential losses, if any, would not have a material adverse effect on the Bank's financial condition.

In the ordinary course of business, the Bank is subject to litigation, claims, and assessments that involve claims for monetary relief, some of which are covered by insurance. If not fully covered by insurance, the monetary relief may materially adversely affect our financial condition, results of operations and cash flows. Refer to Footnote 18 for the Banks assessment of current litigation matters.

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(18) Recent Litigation

On October 31, 2017, two former employees of the mortgage banking division of the Bank filed suit in the Philadelphia Court of Common Pleas, *Weissenberg et. al. v. Meridian Bank*, against the Bank seeking unpaid commissions pursuant to a breach of contract claim and liquidated damages under the Pennsylvania Wage Payment and Collection Law. The aggregate amount of such damages set forth in the complaint was approximately $325,000. The plaintiffs also sought reimbursement for their attorneys' fees and costs. The Bank settled the claim in the fourth quarter of 2017 for damages in the amount of $137,000, with accrued and unbilled legal expenses capped at Meridian's insurance deductible of $50,000. Based on the settled claim and insurance policy in place, total expense related to the claim will not exceed $187,000.

On November 21, 2017, three former employees of the mortgage-banking division of the Bank filed suit in the United States District Court for the Eastern District of Pennsylvania, *Juan Jordan et al. v. Meridian Bank, Thomas Campbell and Christopher Annas*, against the Bank purporting to be a class action seeking unpaid and overtime wages under the Fair Labor Standards Act of 1938, the New Jersey Wage and Hour Law, and the Pennsylvania Minimum Wage Act of 1968 on behalf of similarly situated plaintiffs. In February 2018, the Bank answered the complaint and presented affirmative defenses. In March 2018, plaintiffs' counsel and the Bank agreed to move forward with non-binding mediation. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, success on the merits, the Bank cannot estimate the reasonable possible loss or range of loss that may result from this action. Additionally, the Bank's estimate may change from time to time, and actual losses could vary.

(19) Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2017, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2017, the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank is subject to certain restrictions on the amount of dividends that it may declare due to regulatory considerations. The Pennsylvania Banking Code provides that cash dividends may be declared and paid only out of accumulated net earnings.

The Bank's actual capital amounts and ratios at December 31, 2017 and 2016 are presented below:

(Continued)

	2017					
(dollars in thousands)	**Actual**		**For capital adequacy purposes ***		**To be well capitalized under prompt corrective action provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)	$ 117,239	15.53%	$ 60,376	8.00%	$ 75,469	10.00%
Common equity tier 1 capital (to risk-weighted assets)	101,661	12.86%	33,961	4.50%	49,055	6.50%
Tier 1 capital (to risk-weighted assets)	97,084	12.86%	45,282	6.00%	60,376	8.00%
Tier 1 capital (to average assets)	97,084	12.37%	31,582	4.00%	39,478	5.00%

	2016					
(dollars in thousands)	**Actual**		**For capital adequacy purposes ***		**To be well capitalized under prompt corrective action provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)	$ 89,396	13.51%	$ 57,071	8.00%	$ 66,169	10.00%
Common equity tier 1 capital (to risk-weighted assets)	57,426	8.68%	33,912	4.50%	43,010	6.50%
Tier 1 capital (to risk-weighted assets)	70,271	10.62%	43,837	6.00%	52,935	8.00%
Tier 1 capital (to average assets)	70,271	9.67%	29,055	4.00%	36,318	5.00%

*Does not include capital conservation buffer of 0.625% for 2016 and 1.250% for 2017

(20) Fair Value Measurements and Disclosures

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation techniques or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants

(Continued)

would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, the Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2017 and 2016 are as follows:

	2017			
(dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Securities available for sale:				
U.S. government agency securities	$ —	—	—	—
U.S. government agency mortgage-	21,269		21,269	
backed securities		—	—	—
U.S. government agency collateralized mortgage obligations	7,778	—	7,778	—
State and municipal securities	9,959	—	9,959	—
Investments in mutual funds and other equity securities	1,001	—	1,001	—
Mortgage loans held-for-sale	35,024	—	35,024	—
Loans held-for-investment	9,972	—	9,972	—
Interest rate lock commitments	310	—		310
Total	$ 85,312	—	85,002	310

(Continued)

(dollars in thousands)	2016 Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. government agency securities	$ —	—	—	—
U.S. government agency mortgage-backed securities	21,481	—	21,481	—
U.S. government agency collateralized mortgage obligations	1,434	—	1,434	—
State and municipal securities	9,110	—	9,110	—
Investments in mutual funds and other equity securities	1,001	—	1,001	—
Mortgage loans held-for-sale	39,573	—	39,573	—
Loans held-for-investment	9,317	—	9,317	—
Interest rate lock commitments	677	—		677
Total	$ 82,594	—	81,917	677

Assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2017 and 2016 are as follows:

(dollars in thousands)	December 31, 2017 Total	Level 1	Level 2	Level 3
Impaired loans (2)	$ 4,685	—	—	4,685
Other real estate owned (1)	437	—	—	437
Total	$ 5,122	—	—	5,122

(dollars in thousands)	December 31, 2016 Total	Level 1	Level 2	Level 3
Impaired loans (2)	$ 6,387	—	—	6,387
Total	$ 6,387	—	—	6,387

(1) Real estate properties acquired through, or in lieu of, foreclosure are to be sold and are carried at fair value less estimated cost to sell. Fair value is based upon independent market prices or appraised value of the property. These assets are included in Level 3 fair value based upon the lowest level of input that is significant to the fair value measurement. Appraised values may be discounted based on management's expertise, historical knowledge, changes in market conditions from the time of valuation and/or estimated costs to sell.

(2) Impaired loans are those in which the Bank has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

(Continued)

Below is management's estimate of the fair value of all financial instruments, whether carried at cost or fair value on the Bank's balance sheet. The following information should not be interpreted as an estimate of the fair value of the entire Bank since a fair value calculation is only provided for a limited portion of the Bank's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Bank's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair value of the Bank's financial instruments:

(a) Cash and Cash Equivalents

The carrying amounts reported in the balance sheet for cash and short-term instruments approximate those assets' fair values.

(b) Securities

The fair value of securities available-for-sale (carried at fair value) and held to maturity (carried at amortized cost) are determined by matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices.

(c) Mortgage Loans for Sale

The fair value of loans held for sale is based on secondary market prices.

(d) Loans Receivable

The fair values of loans are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair value below is not reflective of an exit price.

(e) Impaired Loans

Impaired loans are those in which the Bank has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

(f) Restricted Investment in Bank Stock

The carrying amount of restricted investment in bank stock approximates fair value, and considers the limited marketability of such securities.

(g) Accrued Interest Receivable and Payable

The carrying amount of accrued interest receivable and accrued interest payable approximates its fair value.

(Continued)

(h) Deposit Liabilities

The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits.

(i) Short-Term Borrowings

The carrying amounts of short-term borrowings approximate their fair values.

(j) Long-Term Debt

Fair values of FHLB advances are estimated using discounted cash flow analysis, based on quoted prices for new FHLB advances with similar credit risk characteristics, terms and remaining maturity. These prices obtained from this active market represent a market value that is deemed to represent the transfer price if the liability were assumed by a third party.

(k) Subordinated Debt

Fair values of junior subordinated debt are estimated using discounted cash flow analysis, based on market rates currently offered on such debt with similar credit risk characteristics, terms and remaining maturity.

(l) Off-Balance Sheet Financial Instruments

Off-balance sheet instruments are primarily comprised of loan commitments, which are generally priced at market at the time of funding. Fees on commitments to extend credit and stand-by letters of credit are deemed to be immaterial and these instruments are expected to be settled at face value or expire unused. It is impractical to assign any fair value to these instruments and as a result they are not included in the table below. Fair values assigned to the notional value of interest rate lock commitments and forward sale contracts are based on market quotes.

(Continued)

The estimated fair values of the Bank's financial instruments at December 31, 2017 and 2016 are as follows:

(dollars in thousands)	Fair Value Hierarchy Level	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
Financial assets:					
Cash and cash equivalents	Level 1	$ 35,506	35,506	18,872	18,872
Securities available-for-sale	Level 2	40,006	40,006	33,027	33,027
Securities held to maturity	Level 2	12,861	12,868	14,525	14,345
Loans held for sale	Level 2	35,024	35,024	39,573	39,573
Loans receivable, net	Level 3	687,928	679,824	598,866	588,140
Derivative financial instruments	Level 3	310	310	677	677
Restricted investment in bank stock	Level 3	6,814	6,814	7,355	7,355
Accrued interest receivable	Level 3	2,536	2,536	2,123	2,123
Financial liabilities:					
Deposits	Level 2	627,109	626,635	527,136	517,854
Short-term borrowings	Level 2	99,750	99,750	105,553	105,553
Long-term debt	Level 2	8,863	8,865	12,800	12,818
Subordinated debentures	Level 2	13,308	12,883	13,376	12,887
Accrued interest payable	Level 2	216	216	194	194
Derivative financial instruments	Level 3	75	75	15	15
		Notional amount	**Fair value**	**Notional amount**	**Fair value**
Off-balance sheet financial instruments:					
Commitments to extend credit	Level 2	220,180	310	195,162	677
Letters of credit	Level 2	1,809	—	1,806	—

(21) Derivative Financial Instruments

Mortgage Banking Derivatives

In connection with its mortgage banking activities, the Corporation enters into commitments to originate certain fixed rate residential mortgage loans for customers, also referred to as interest rate locks. In addition, the Corporation enters into forward commitments for the future sales or purchases of mortgage-backed securities to or from third-party counterparties to hedge the effect of changes in interest rates on the values of both the interest rate locks and mortgage loans held for sale. Forward sales commitments may also be in the form of commitments to sell individual mortgage loans or interest rate locks at a fixed price at a future date. The amount necessary to settle each interest rate lock is based on the price that secondary market investors would pay for loans with similar characteristics, including interest rate and term, as of the date fair

(Continued)

value is measured. Gross derivative assets and liabilities are recorded within other assets and other liabilities, respectively, on the consolidated balance sheets, with changes in fair values during the period recorded on the consolidated statements of income.

The following table presents a summary of the notional amounts and fair values of derivative financial instruments:

(dollars in thousands)	December 31, 2017		December 31, 2016	
	Notional Amount	Asset (Liability) Fair Value	Notional Amount	Asset (Liability) Fair Value
Interest Rate Lock Commitments				
Positive fair values	$ 38,574	$ 344	$ 50,423	$ 721
Negative fair values	7,201	(34)	3,687	(44)
Net interest rate lock commitments	45,775	310	54,110	677
Forward Commitments				
Positive fair values	6,500	5	9,750	61
Negative fair values	32,250	(80)	15,750	(76)
Net forward commitments	38,750	(75)	25,500	(15)
Net derivative fair value asset	$ 84,525	$ 235	$ 79,610	$ 662

All derivative instruments are considered Level 3 in the fair value hierarchy.

The following table presents a summary of the fair value gains and losses on derivative financial instruments:

(dollars in thousands)	Year Ended December 31	
	2017	2016
Interest Rate Lock Commitments	$ (367)	$ (212)
Forward Commitments	(60)	90
Net fair value gains (losses) on derivative financial instrument	$ (427)	$ (122)

(22) Segments

FASB Codification 280 – "Segment Reporting" identifies operating segments as components of an enterprise which are evaluated regularly by the Chief Executive Officer, in deciding how to allocate resources and assess performance. The Bank has applied the aggregation criterion set forth in this codification to the results of its operations.

Our Banking segment consists of commercial and retail banking. The Banking segment is evaluated as a single strategic unit which generates revenues from a variety of products and services. The Banking segment generates interest income from its lending (including leasing) and investing activities and is dependent on the gathering of lower cost deposits from its branch network or borrowed funds from other sources for funding its loans, resulting in the generation of net interest income. The Banking segment also derives revenues from other sources including gains on the sale of available for sale investment securities, gains on the sale of residential mortgage loans, service charges on deposit accounts, cash sweep fees, overdraft fees, and BOLI income. Prior to our expansion in the wealth management area due to the acquisition in April of 2017, revenue and expenses for wealth management services were immaterial and were also included in this segment. For 2017 presentation, this division has been disclosed as a separate segment.

Meridian's mortgage banking segment ("Mortgage") consists of one central loan production facility and several retail and profit sharing loan production offices located throughout the Delaware Valley. The Meridian Mortgage unit originates 1 – 4 family residential mortgages and sells all of its production, including servicing to third party investors. The unit generates net interest income on the loans it originates and earns fee income (primarily gain on sales) at the time of the sale.

The table below summarizes income and expenses, directly attributable to each business line, which has been included in the statement of operations.

(Continued)

	Year Ended December 31, 2017			
(dollars in thousands)	**Meridian Bank**	**Meridian Wealth**	**Meridian Mortgage**	**Consolidated**
Net interest income	$ 28,380	$ 148	$ 409	$ 28,938
Provision for loan losses	(2,161)	-	-	(2,161)
Net interest income after provision	26,219	148	409	26,777
Non-interest Income				
Service charges on deposits	87		-	87
Other fee income	984		(69)	916
Wealth management	223	2,649	-	2,872
Mortgage fees (margin)	128		32,051	32,179
Mortgage document prep & processing fees	-		657	657
Boli income	276		-	276
Net change in the fair value of				-
loans held-for-sale	-		41	41
Net change in the fair value of				
loans held-for-investment			73	73
Net change in the fair value of				-
derivative instruments	-		(427)	(427)
Gain on sale of securites	26		-	26
Total non-interest income	1,724	2,649	32,326	36,700
Non-interest Expense				
Salaries and employee benefits	13,322	1,338	24,466	39,126
Occupancy & equipment	2,200	79	1,520	3,799
Professional services	1,435	130	560	2,125
Advertising and promotion	1,061	322	865	2,248
FDIC expense	722	-	-	722
Data Processing	683	92	387	1,162
Loan expenses	517	-	3,508	4,025
Other	3,304	349	831	4,484
Total non-interest expense	23,244	2,310	32,137	57,691
Operating Margin	$ 4,699	$ 487	$ 598	$ 5,786
Total Assets	$ 813,437	$ 6,201	$ 36,397	$ 856,035

(Continued)

(dollars in thousands)	Year Ended December 31, 2016		
	Meridian Bank	Meridian Mortgage	Consolidated
Net interest income	$ 24,868	$ 920	$ 25,788
Provision for loan losses	(1,198)	-	(1,198)
Net interest income after provision	23,670	920	24,590
Non-interest Income			
Service charges on deposits	66	-	66
Other fee income	869	1,680	2,549
Wealth management	425	-	425
Mortgage fees (margin)	-	39,022	39,022
Mortgage document prep & processing fees	-	2,409	2,409
Boli income	125	-	125
Net change in the fair value of			-
loans held-for-sale	-	(833)	(833)
Net change in the fair value of			
loans held-for-investment		30	30
Net change in the fair value of			-
derivative instruments	-	(122)	(122)
Realized losses on derivative instruments		(965)	(965)
Gain on sale of OREO	12		12
Gain on sale of loans	123	-	123
Gain on sale of securities	3	-	3
Total non-interest income	1,623	41,221	42,844
Non-interest Expense			
Salaries and employee benefits	11,927	28,925	40,852
Occupancy & equipment	1,445	1,501	2,946
Professional services	1,378	384	1,762
FDIC expense	625	-	625
Loan expenses	264	6,422	6,686
Other	4,579	2,463	7,042
Total non-interest expense	20,218	39,695	59,913
Operating Margin	$ 5,075	$ 2,446	$ 7,521
Total Assets	$ 691,017	$ 42,676	$ 733,693

(Continued)

(23) Recent Accounting Pronouncements

As an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"), Meridian Bank is permitted an extended transition period for complying with new or revised accounting standards affecting public companies. We will remain an emerging growth company until the earliest of (i) the end of the fiscal year during which we have total annual gross revenues of $1,070,000,000 or more, (ii) the end of the fiscal year following the fifth anniversary of the completion of this offering, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt and (iv) the end of the fiscal year in which the market value of our equity securities that are held by non-affiliates exceeds $700 million as of June 30 of that year. We have elected to take advantage of this extended transition period, which means that the financial statements included herein, as well as any financial statements that we file in the future, will not be subject to all new or revised accounting standards generally applicable to public companies for the transition period for so long as we remain an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period under the JOBS Act. If we do so, we will prominently disclose this decision in the first periodic report following our decision, and such decision is irrevocable. As a filer under the JOBS Act, we will implement new accounting standards subject to the effective dates required for non-public entities.

FASB ASU 2018-02 (Subtopic 220), "Income Statement – Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income"

Issued in February 2018, ASU 2018-02 clarifies the accounting treatment of the reclassification of certain income tax effects within accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act. Among other changes, upon adoption of the ASU, an entity will be required to disclose a description of the accounting policy for releasing stranded income tax effects from accumulated other comprehensive income. The standard is required to be adopted for periods beginning after December 15, 2018 with early adoption available for any set of financial statements that have yet to be issued or made available for issuance. The Bank early adopted this ASU as of January 1, 2017 and elected to reclassify income tax effects related to net unrealized losses on available for sale investment securities. The net effect of the reclassification was a $49 thousand increase to retained earnings and accumulated other comprehensive loss.

FASB ASU No. 2014-09 (Topic 606), "Revenue from Contracts with Customers"

Issued in May 2014, ASU 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers using a five-step model that requires entities to exercise judgment when considering the terms of the contracts. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. This amendment defers the effective date of ASU 2014-09 by one year. In March 2016, the FASB issued ASU 2016- 08, "Principal versus Agent Considerations (Reporting Gross versus Net)," which amends the principal versus agent guidance and clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer. In addition, the FASB issued ASU Nos. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers and 2016-12, Narrow-Scope Improvements and Practical Expedients, both of which provide additional clarification of certain provisions in Topic 606. These Accounting Standards Codification ("ASC") updates are effective for public companies for annual reporting periods beginning after December 15, 2017, but early adoption is permitted. Early adoption is permitted only as of annual reporting periods after December 15, 2016. The standard permits the

(Continued)

use of either the retrospective or retrospectively with the cumulative effect transition method. For non-public companies, the ASC updates are effective for annual reporting periods beginning after December 15, 2018, and interim periods beginning after December 15, 2019. The Bank is currently in the process of evaluating all revenue streams, accounting policies, practices and reporting to identify and understand any impact on the Bank's Consolidated Financial Statements and related disclosures.

FASB ASU 2017-04 (Topic 350), "Intangibles – Goodwill and Others"

Issued in January 2017, ASU 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. ASU 2017-04 is 41 (Continued) effective for public companies for annual periods beginning after December 15, 2019 including interim periods within those periods. ASU 2017-04 is effective for non-public companies for annual periods beginning after December 15, 2021 including interim periods within those periods. The Bank is evaluating the effect that ASU 2017-04 will have on its consolidated financial statements and related disclosures.

FASB ASU 2017-01 (Topic 805), "Business Combinations"

Issued in January 2017, ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. ASU 2017-01 is effective for public companies for annual periods beginning after December 15, 2017 including interim periods within those periods, while for non-public companies the ASU is effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Bank is evaluating the effect that ASU 2017-01 will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-15 (Topic 320), "Classification of Certain Cash Receipts and Cash Payments"

Issued in August 2016, ASU 2016-15 provides guidance on eight specific cash flow issues and their disclosure in the consolidated statements of cash flows. The issues addressed include debt prepayment, settlement of zero coupon debt, contingent consideration in business combinations, proceeds from settlement of insurance claims, proceeds from settlement of BOLI, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the Predominance principle. 2016-15 is effective for public companies for the annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted. For non-public companies ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Bank is currently evaluating the impact of this guidance and does not anticipate a material impact on its consolidated financial statements.

FASB ASU 2016-13 (Topic 326), "Measurement of Credit Losses on Financial Instruments"

Issued in June 2016, ASU 2016-13 significantly changes how companies measure and recognize credit impairment for many financial assets. The new current expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are in the scope of the standard. The ASU also makes targeted amendments to the current

(Continued)

impairment model for available-for-sale debt securities. ASU 2016-13 is effective for public companies for the annual and interim periods in fiscal years beginning after December 15, 2018, with early adoption permitted. For non-public companies the ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within the fiscal years beginning after December 31, 2021. The Bank is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-02 (Topic 842), "Leases"

Issued in February 2016, ASU 2016-02 revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. ASU 2016-02 is effective for public companies for the first interim period within annual periods beginning after December 15, 2018, with early adoption permitted. For non-public companies the ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within the fiscal years beginning after December 31, 2020. The standard is required to be adopted using the modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Bank is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-01 (Subtopic 825-10), "Financial Instruments – Overall, Recognition and Measurement of Financial Assets and Financial Liabilities"

Issued in January 2016, ASU 2016-01 provides that equity investments will be measured at fair value with changes in fair value recognized in net income. When fair value is not readily determinable an entity may elect to measure the equity investment at cost, minus impairment, plus or minus any change in the investment's observable price. For financial liabilities that are measured at fair value, the amendment requires an entity to present separately, in other comprehensive income, any change in fair value resulting from a change in instrument-specific credit risk. For public companies, ASU 2016-01 will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For non-public companies the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within the fiscal years beginning after December 31, 2019. Early adoption is permitted. Entities may apply this guidance on a prospective or retrospective basis. The Bank is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

FASB ASU 2017-08 (Subtopic 310-20), "Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities"

Issued in March 2017, ASU 2017-08 shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendment requires the premium to be amortized to the earliest call date. The amendments does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. For non-public companies the ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within the fiscal years beginning after December 31, 2020. The Bank is evaluating the effect that ASU 2017-08 will have on its consolidated financial statements and related disclosures.

(Continued)

FASB ASU 2017-12 (Subtopic 815), "Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities"

Issued in August 2017, ASU 2017-12 better aligns hedge accounting with an organization's risk management activities in the financial statements. In addition, the ASU simplifies the application of hedge accounting guidance in areas where practice issues exist. Specifically, the proposed ASU eases the requirements for effectiveness testing, hedge documentation and application of the shortcut and the critical terms match methods. Entities would be permitted to designate contractually specified components as the hedged risk in a cash flow hedge involving the purchase or sale of nonfinancial assets or variable rate financial instruments. In addition, entities would no longer separately measure and report hedge ineffectiveness. Also, entities, may choose refined measurement techniques to determine the changes in fair value of the hedged item in fair value hedges of benchmark interest rate risk. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2019, and interim periods beginning after December 15, 2020. Early application is permitted in any interim period after issuance of the ASU for existing hedging relationships on the date of adoption and the effect of adoption should be reflected as of the beginning of the fiscal year of adoption (that is, the initial application date). The Bank has evaluated ASU 2017-12, and has determined it has no activities for which it plans to implement the ASU in the near future.

(Continued)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Management, with the participation of the Bank's President and Chief Executive Officer and its Chief Financial Officer, evaluated the effectiveness of the design and operation of the Bank's disclosure controls and procedures (as defined in Rule l3a-l5(e) promulgated under the Exchange Act) as of December 31, 2017. Based on this evaluation, the Bank's President and Chief Executive Officer and Chief Financial Officer have concluded that the Bank's disclosure controls and procedures are effective as of December 31, 2017 to ensure that the information required to be disclosed by the Bank in the reports that the Bank files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in FDIC rules and forms.

Changes in Internal Control Over Financial Reporting

There was no change in the Bank's internal control over financial reporting identified during the year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 is incorporated by reference to information appearing in Meridian Bank's definitive proxy statement to be used in connection with the 2018 Annual Meeting of Shareholders under the headings, "ELECTION OF DIRECTORS," "EXECUTIVE OFFICERS," "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE," "CODE OF ETHICS," "CORPORATE GOVERNANCE," and "AUDIT COMMITTEE."

Item 11. Executive Compensation

The information required by Item 11 is incorporated by reference to the information appearing in Meridian Bank's definitive proxy statement to be used in connection with the 2018 Annual Meeting of Shareholders under the headings, "EXECUTIVE COMPENSATION," "SUMMARY COMPENSATION TABLE," "OUTSTANDING AWARDS AT FISCAL YEAR-END TABLE," "EXECUTIVE INCENTIVE, EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS," and "DIRECTOR COMPENSATION."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is incorporated by reference to the information appearing in Meridian Bank's definitive proxy statement to be used in connection with the 2018 Annual Meeting of Shareholders under the headings, "EQUITY COMPENSATION PLAN INFORMATION" and "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT."

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is incorporated by reference to the information appearing in Meridian Bank's definitive proxy statement to be used in connection with the 2018 Annual Meeting of Shareholders under the headings, "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" and "DIRECTOR INDEPENDENCE."

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated by reference to the information appearing in Meridian Bank's definitive proxy statement to be used in connection with the 2018 Annual Meeting of Shareholders under the heading, "PROPOSAL TO RATIFY THE APPOINTMENT OF KPMG LLP AS THE BANK'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2018."

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) The following portions of the Bank's consolidated financial statements are set forth in Item 8 – "Financial Statements and Supplementary Data":

i. Independent Auditor's Report

ii. Consolidated Balance Sheets

iii. Consolidated Statements of Income

iv. Consolidated Statements of Comprehensive Income

v. Consolidated Statements of Changes in Stockholders' Equity

vi. Consolidated Statements of Cash Flows

vii. Notes to Consolidated Financial Statements

(a)(2) The financial statement schedules required by this Item are omitted because the information is either inapplicable, not required or is presented in the consolidated financial statements or notes thereto.

(a)(3) The following exhibits are incorporated by reference herein or filed with this Form 10-K:

Exhibit Number	Description
2.1	Plan of Merger and Reorganization (Incorporated by reference to Exhibit 2.1 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
3.1	Amended and Restated Articles of Incorporation of Meridian Bank (Incorporated by reference to Exhibit 3.1 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
3.2	Amended and Restated Bylaws of Meridian Bank (Incorporated by reference to Exhibit 3.2 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
10.1	Meridian Bank 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
10.2	Employment Agreement between Meridian Bank and Christopher Annas, effective January 30, 2004 (Incorporated by reference to Exhibit 10.2 of the Amended Registration Statement on Form 10, filed with the FDIC on October 31, 2017).
10.3	Meridian Bank Supplemental Executive Retirement Deferred Compensation Plan (Incorporated by reference to Exhibit 10.3 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
10.4	Meridian Bank Employee Stock Ownership Plan (Incorporated by reference to Exhibit 10.4 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
10.5	Asset Purchase Agreement (Incorporated by reference to Exhibit 10.5 of the Amended Registration Statement on Form 10, filed with the FDIC on October 31, 2017).
10.6	Meridian Bank 2004 Stock Option Plan, as amended June 15, 2006
21.1	List of Subsidiaries (Incorporated by reference to Exhibit 21.1 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
31.1	Rule 13a-14(a)/ 15d-14(a) Certification of the Principal Executive Officer
31.2	Rule 13a-14(a)/ 15d-14(a) Certification of the Principal Financial Officer
32	Section 1350 Certifications of the Principal Executive Officer

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Meridian Bank

Date: March 31, 2018

By: /s/ Christopher J. Annas
Christopher J. Annas
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 31, 2018	By:	/s/ Christopher J. Annas Christopher J. Annas, Chairman of the Board
Date: March 31, 2018	By:	/s/ Denise Lindsay Denise Lindsay, Director, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
Date: March 31, 2018	By:	/s/ Robert M. Casciato Robert M. Casciato, Director
Date: March 31, 2018	By:	/s/ George C. Collier George C. Collier, Director
Date: March 31, 2018	By:	/s/ Robert T. Holland Robert T. Holland, Director
Date: March 31, 2018	By:	/s/ Edward J. Hollin Edward J. Hollin, Director
Date: March 31, 2018	By:	/s/ Anthony M. Imbesi Anthony M. Imbesi, Director
Date: March 31, 2018	By:	/s/ Kenneth H. Slack Kenneth H. Slack, Director

EXHIBIT INDEX

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2.1	Plan of Merger and Reorganization (Incorporated by reference to Exhibit 2.1 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
3.1	Amended and Restated Articles of Incorporation of Meridian Bank (Incorporated by reference to Exhibit 3.1 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
3.2	Amended and Restated Bylaws of Meridian Bank (Incorporated by reference to Exhibit 3.2 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
10.1	Meridian Bank 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
10.2	Employment Agreement between Meridian Bank and Christopher Annas, effective January 30, 2004 (Incorporated by reference to Exhibit 10.2 of the Amended Registration Statement on Form 10, filed with the FDIC on October 31, 2017).
10.3	Meridian Bank Supplemental Executive Retirement Deferred Compensation Plan (Incorporated by reference to Exhibit 10.3 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
10.4	Meridian Bank Employee Stock Ownership Plan (Incorporated by reference to Exhibit 10.4 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
10.5	Asset Purchase Agreement (Incorporated by reference to Exhibit 10.5 of the Amended Registration Statement on Form 10, filed with the FDIC on October 31, 2017).
10.6	Meridian Bank 2004 Stock Option Plan, as amended June 15, 2006
21.1	List of Subsidiaries (Incorporated by reference to Exhibit 21.1 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017).
31.1	Rule 13a-14(a)/ 15d-14(a) Certification of the Principal Executive Officer
31.2	Rule 13a-14(a)/ 15d-14(a) Certification of the Principal Financial Officer
32	Section 1350 Certifications of the Principal Executive Officer

MERIDIAN BANK
2004 STOCK OPTION PLAN

(As amended and restated, effective June 15, 2006)

Meridian Bank (the "Company"), a Pennsylvania bank, hereby adopts this 2004 Stock Option Plan (the "Plan"), under which options may be granted from time to time to directors, officers and employees of the Company and of any subsidiary corporation (as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended (the "Code")), including the Bank, and any subsidiary corporation of the Company which may be established in the future, to purchase shares of common stock of the Company, par value $1.00 per share (the "Common Stock").

1. <u>PURPOSE OF THE PLAN</u>. The purpose of the Plan is to aid the Company in attracting and retaining capable directors, officers and employees and to provide a long range incentive for such persons to remain in the management of the Company, to perform at increasing levels of effectiveness and to acquire a permanent stake in the Company with the interest and outlook of an owner. These objectives will be promoted through the granting of options to acquire shares of Common Stock pursuant to the terms of this Plan.

2. <u>ADMINISTRATION</u>.

(a) The Plan shall be administered by a committee (the "Committee"), which shall consist of not less than two members of the Board of Directors of the Company (the "Board"). In the absence at any time of a duly appointed Committee, this Plan shall be administered by the Board, in which case all references to the "Committee" in this Plan shall be deemed to refer to the Board. The Committee may designate any officers or employees of the Company to assist in the administration of the Plan and to execute documents on behalf of the Committee and perform such other ministerial duties as may be delegated to them by the Committee.

(b) Subject to the provisions of the Plan, the determinations or the interpretation and construction of any provision of the Plan by the Committee shall be final and conclusive upon all persons affected thereby. By way of illustration and not of limitation, the Committee shall have the discretion (a) to construe and interpret the Plan and all options granted hereunder and to determine the terms and provisions (and amendments thereof) of the options granted under the Plan (which need not be identical); (b) to define the terms used in the Plan and in the options granted hereunder; (c) to prescribe, amend and rescind the rules and regulations relating to the Plan; (d) to determine the individuals to whom and the time or times at which such options shall be granted, the number of shares to be subject to each option, the option price, and the determination of leaves of absence which may be granted to participants without constituting a termination of their employment for the purposes of the Plan; and (e) to make all other determinations necessary or advisable for the administration of the Plan.

(c) It shall be in the discretion of the Committee to grant options which qualify as "incentive stock options," as that term is defined in Section 422 of the Code ("Incentive Stock Options"), or which do not qualify as Incentive Stock Options ("Nonqualified Stock Options")

(herein referred to collectively as "Options;" however, whenever reference is specifically made only to "Incentive Stock Options" or "Nonqualified Stock Options," such reference shall be deemed to be made to the exclusion of the other). Any options granted which fail to satisfy the requirements for Incentive Stock Options shall become Nonqualified Stock Options.

3. STOCK AVAILABLE FOR OPTIONS. Common Stock issued upon exercise of Options granted under the Plan may be authorized but unissued shares of Common Stock and/or shares of Common Stock which are acquired by the Company from shareholders of the Company in public or private transactions. The total number of shares of Common Stock for which Options may be granted under this Plan is 367,000 as of the effective date of this amended and restated plan. Such total number of shares is subject to any capital adjustments as provided in Section 13. In the event that an Option granted under the Plan is forfeited, released, expires or is terminated unexercised as to any shares covered thereby, such shares thereafter shall be available for the granting of Options under the Plan; provided that if the forfeiture, expiration, release or termination date of an Option is beyond the term of existence of the Plan as described in Section 18, then any shares covered by forfeited, unexercised, released or terminated options shall not reactivate the existence of the Plan and therefore may not be available for additional grants under the Plan. The Company, during the term of the Plan, will reserve and keep available a number of shares of Common Stock sufficient to satisfy the requirements of the Plan.

4. ELIGIBILITY. Options may be granted to such directors, officers and/or employees of the Company as may be designated from time to time by the Committee, provided that a member of the Board of Directors of the Company who is not an officer or employee of the Company shall be eligible to receive only Nonqualified Stock Options under the Plan. In determining the directors, officers and employees to whom Options shall be granted and the number of shares to be covered by each Option, the Committee shall take into account the nature of the services rendered by such persons, their present and potential contributions to the success of the Company and such other factors as the Committee shall deem relevant. A director, officer or employee who has been granted an Option under the Plan may be granted an additional Option or Options under the Plan if the Committee shall so determine.

5. OPTION GRANTS. The proper officers on behalf of the Company and each Optionee shall execute a Stock Option Agreement in such form or forms as the Committee may determine from time to time (the "Option Agreement) which shall set forth the total number of shares of Common Stock to which it pertains, the exercise price, whether it is a Nonqualified Stock Option or an Incentive Stock Option, and such other terms, conditions, restrictions and privileges as the Committee in each instance shall deem appropriate, provided that they are not inconsistent with the terms, conditions and provisions of this Plan. Each Optionee shall receive a copy of his executed Option Agreement. Any Option granted with the intention that it will be an Incentive Stock Option but which fails to satisfy a requirement for Incentive Stock Options shall continue to be valid and shall be treated as a Nonqualified Stock Option.

6. OPTION PRICE.

(a) The option price of each Option granted under the Plan shall be not less than 100% of the market value of the stock on the date of grant of the Option. In the case of incentive stock options granted to a shareholder who owns stock possessing more than 10% of the total

combined voting power of all classes of stock of the Company (a "ten percent shareholder"), the option price of each Option granted under the Plan shall not be less than 110% of the market value of the stock on the date of grant of the Option. The market value per share of the Common Stock shall be its fair market value as determined by the Committee, in its sole discretion. The Committee shall maintain a written record of its method of determining such value.

(b) Payment in full of the purchase price for shares of Common Stock purchased pursuant to the exercise of any Option shall be made to the Company upon exercise of the Option. All shares sold under the Plan shall be fully paid and nonassessable. Payment for shares may be made by the optionee (i) in cash or by check, (ii) at the discretion of the Committee, by delivery of a properly executed exercise notice, together with irrevocable instructions to a broker to sell the shares and then to properly deliver to the Company the amount of sale proceeds to pay the exercise price, all in accordance with applicable laws and regulations, or (iii) at the discretion of the Committee, by delivering shares of Common Stock (including shares acquired pursuant to the exercise of an Option) equal in fair market value to the purchase price of the shares to be acquired pursuant to the Option, or (iv) by withholding some of the shares of Common Stock which are being purchased upon exercise of an Option, or (v) any combination of the foregoing. If part or all of the price is paid by the withholding of some of the shares that would otherwise be received upon exercise, the portion of the price represented by the withheld shares shall be that number of shares of Common Stock having an aggregate fair market value as of the date of exercise equal to the portion Stock Option's exercise price to be paid by withholding shares. The shares of Common Stock so withheld shall not be deemed to have been issued for purposes of the aggregate-share limitation set forth in Section 3 of this Plan.

7. EXPIRATION OF OPTIONS. The Committee shall determine the expiration date or dates of each Option, but such expiration date shall be not later than the earlier of (i) ten (10) years after the date such Option is granted, and (ii) that date (the "FDIC Termination Date") that is ninety (90) days after the Option holder is notified by the Federal Deposit Insurance Corporation that the Bank has become "undercapitalized" (as that term is defined for prompt corrective action purposes) and that the Option must be exercised within such 90 days or it will expire. In the event an Incentive Stock Option is granted to a ten percent shareholder, the expiration date or dates of each Option shall be not later than the earlier of (i) five (5) years after the date such Option is granted, and (ii) the FDIC Termination Date. The Committee, in its discretion, may extend the expiration date or dates of an Option after such date was originally set; however, such expiration date may not exceed the maximum expiration date described in this Section 7.

8. TERMS AND CONDITIONS OF OPTIONS.

(a) All Options must be granted within 10 years of the Effective Date of this Plan, as defined in Section 17.

(b) Subject to Section 4 hereof, the Committee may grant Options which are intended to be Incentive Stock Options and Nonqualified Stock Options, either separately or jointly, to an eligible director, officer or employee.

(c) The grant of Options shall be evidenced by a written Option Agreement containing

terms and conditions established by the Committee consistent with the provisions of this Plan.

(d) Unless otherwise determined by the Committee, not less than 100 shares may be purchased upon exercise of an Option at any one time unless the number purchased is the total number at that time purchasable under the Plan.

(e) The recipient of an Option shall have no rights as a shareholder with respect to any shares covered by his Option until payment in full by him for the shares being purchased. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such stock is fully paid for.

(f) Notwithstanding any contrary provisions contained in this Plan, and as long as required by Section 422 of the Code, the aggregate fair market value of the Common Stock (determined as of the time the Option is granted) with respect to which Incentive Stock Options are exercisable for the first time by any optionee during any calendar year (under this Plan or any other stock option plan maintained by the Company) shall not exceed $100,000.

(g) All stock obtained pursuant to an Option which qualifies as an Incentive Stock Option may, in the discretion of the Committee, be held in escrow for a period which ends on the later of (i) two years from the date of the granting of the Option or (ii) one year after the transfer of the stock pursuant to the exercise of the Option. The stock shall be held by the Company or its designee. The employee who has exercised the Option shall during such holding period have all rights of a shareholder, including but not limited to the rights to vote, receive dividends and sell the stock. The sole purpose of the escrow is to inform the Company of a disqualifying disposition of the stock within the meaning of Section 422 of the Code, and it shall be administered solely for that purpose.

9. EXERCISE OF OPTIONS.

(a) Options shall become vested and exercisable at the times, at the rate and subject to such limitations as may be set forth in the Option Agreement executed in connection therewith; provided, however, that unless otherwise determined by the Committee, Options granted during the first three years of the Company's operations shall vest in approximately equal percentages each year over a period no shorter than three years; and provided further that the Committee may waive this minimum three-year vesting requirement for persons awarded options to purchase only a nominal number of shares.

(b) Unless otherwise determined by the Committee, upon the optionee's death, retirement (as defined in Section 11 hereof) or disability within the meaning of Section 22(e)(3) of the Code all Options granted to such optionee hereunder shall become vested and exercisable for the period set forth in Section 11 hereof. In addition, unless otherwise determined by the Committee, all outstanding Options shall become immediately vested and exercisable in full in the event of a "change in control of the Company" as of the effective date of such change in control of the Company. A "change in control of the Company" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the

"Exchange Act"), whether or not the Company in fact is required to comply with Regulation 14A thereunder; provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities, or (ii) during any period of twenty-four consecutive months during the term of an Option, individuals who at the beginning of such period constitute the Board of the Company cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's stockholders, of each director who was not a director at the date of grant has been approved in advance by directors representing at least two-thirds of the directors then in office who were directors at the beginning of the period.

(c) The exercise of any Option must be evidenced by written notice to the Company that the optionee intends to exercise his Option. In no event shall an Option be deemed granted by the Company or exercisable by a recipient prior to the mutual execution by the Company and the recipient of an Option Agreement which comports with the requirements of Section 5 and Section 8(c) hereof.

(d) Any right to exercise Options in annual installments shall be cumulative and any vested installments may be exercised, in whole or in part, at the election of the optionee.

(e) The inability of the Company to obtain approval from any regulatory body or authority deemed by counsel to be necessary to the lawful issuance and sale of any shares of Common Stock hereunder shall relieve the Company of any liability in respect of the non-issuance or sale of such shares. As a condition to the exercise of an Option, the Company may require the person exercising the Option to make such representations and warranties as may be necessary to ensure compliance with federal or state securities laws.

(f) The Committee shall have the discretionary authority to impose in the Option Agreements such restrictions on shares of Common Stock as it may deem appropriate or desirable, including but not limited to the authority to impose a right of first refusal or to establish repurchase rights or both of these restrictions.

10. TERMINATION OF DIRECTORSHIP OR EMPLOYMENT - EXCEPT BY DISABILITY, RETIREMENT OR DEATH. If an optionee ceases to be a director, officer or employee of the Company for any reason other than death, retirement or disability (as defined in Section 11), he may, at any time within three months after his date of termination, or such longer period as may be determined by the Committee in its discretion but not later than the date of expiration of the Option, exercise any Option only to the extent it was vested and he was entitled to exercise the Option on the date of termination. Any Options or portions of Options of such optionees which are not so exercised shall terminate and be forfeited.

11. TERMINATION OF DIRECTORSHIP OR EMPLOYMENT -DISABILITY, RETIREMENT OR DEATH. If an optionee dies or ceases to be a director, officer or employee of the Company due to his becoming disabled within the meaning of Section 22(e)(3) of the Code, or as a result of retirement, all unvested and forfeitable Options of such optionee

shall immediately become vested and exercisable and he, or the person or persons to whom the Option is transferred by will or by the laws of descent and distribution, may, at any time within 12 months after the death or date of termination, or such longer period as may be determined by the Committee in its discretion but not later than the date of expiration of the Option, exercise any Option with respect to all shares subject thereto. Any Options or portions of Options of such optionees which are not so exercised shall terminate and be forfeited. "Retirement" means a termination of employment or service which constitutes a "retirement" under any applicable qualified pension benefit plan maintained by Bank or a subsidiary corporation, or, if no such plan is applicable, which would constitute "retirement" under Meridian's pension benefit plan, if such individual were a participant in that plan.

12. RESTRICTIONS ON TRANSFER. An Option granted under this Plan may not be transferred except by will or the laws of descent and distribution and, during the lifetime of the optionee to whom it was granted, may be exercised only by such optionee.

13. CAPITAL ADJUSTMENTS AFFECTING COMMON STOCK.

(a) The aggregate number of shares of Common Stock available for issuance under the Plan, the number of shares to which any outstanding Option relates and the exercise price per share of Common Stock under any outstanding Option shall be proportionately adjusted for any increase or decrease in the total number of outstanding shares of Common Stock issued subsequent to the Effective Date (as defined in Section 17) resulting from a split, subdivision or consolidation of shares or any other capital adjustment, the payment of a stock dividend or other increase or decrease in such shares effected without receipt or payment of consideration by the Company. If, upon a merger, consolidation, reorganization, liquidation, recapitalization or the like of the Company, the shares of the Common Stock shall be exchanged for other securities of the Company or of another corporation, each recipient of an Option shall be entitled, subject to the conditions herein stated, to purchase or acquire such number of shares of Common Stock or amount of other securities of the Company or such other corporation as were exchangeable for the number of shares of Common Stock of the Company which such optionees would have been entitled to purchase or acquire except for such action, and appropriate adjustments shall be made to the per share exercise price of outstanding Options.

(b) To the extent that the foregoing adjustments described in Section 13(a) above relate to particular Options or to particular stock or securities of the Company subject to Option under this Plan, such adjustments shall be made by the Committee, whose determination in that respect shall be final and conclusive.

(c) The grant of an Option pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

(d) No fractional shares of Common Stock shall be issued under the Plan for any adjustment made pursuant to this Section 13 or otherwise.

(e) Any adjustment made pursuant to this Section 13 shall be made, to the extent

practicable, in such manner as not to constitute a modification of any outstanding Incentive Stock Options within the meaning of Section 424(h) of the Code.

14. INVESTMENT PURPOSE. At the discretion of the Committee, any Option Agreement may provide that the optionee shall, by accepting the Option, represent and agree, for himself and his transferees by will or the laws of descent and distribution, that all shares of Common Stock purchased upon the exercise of the Option will be acquired for investment and not for resale or distribution, and that upon each exercise of any portion of an Option, the person entitled to exercise the same shall furnish evidence of such facts which is satisfactory to the Company. Certificates for shares of Common Stock acquired under the Plan may be issued bearing such restrictive legends as the Company and its counsel may deem necessary to ensure that the optionee is not an "underwriter" within the meaning of the federal securities laws.

15. APPLICATION OF FUNDS. The proceeds received by the Company from the sale of Common Stock pursuant to Options will be used for general corporate purposes.

16. NO OBLIGATION TO EXERCISE. The granting of an Option shall impose no obligation upon the optionee to exercise such Option. Notwithstanding the foregoing, the Bank's primary federal regulator can direct the Company to require Plan participants to exercise or forfeit their Options if the Bank's capital falls below the minimum regulatory requirements as determined by the Bank's state or primary federal regulator. In such event, any options not so exercised shall terminate and be forfeited.

17. EFFECTIVE DATE OF THE PLAN. The Plan shall be effective as of the date of adoption of the Plan by the Board of Directors of the Company (the "Effective Date"). The Plan, and any previously granted Options thereunder, shall be subject to the approval of the shareholders of the Company at a meeting held within 12 months of the Effective Date in order to meet the requirements of Section 422 of the Code and regulations thereunder.

18. TERM OF THE PLAN. Unless sooner terminated, this Plan shall remain in effect for a period of ten years ending on the tenth anniversary of the Effective Date. Termination of the Plan shall not affect any Options previously granted and such Options shall remain valid and in effect until they have been fully exercised or earned, are surrendered or by their terms expire or are forfeited.

19. TIME OF GRANTING OF OPTIONS. Nothing contained in the Plan or in any resolution adopted or to be adopted by the Committee or the shareholders of the Company and no action taken by the Committee shall constitute the granting of any Option hereunder. The granting of an Option pursuant to the Plan shall take place only when an Option Agreement shall have been duly executed and delivered by and on behalf of the Company at the direction of the Committee.

20. WITHHOLDING TAXES. Whenever the Company proposes or is required to cause to be issued or transferred shares of stock, cash or other assets pursuant to this Plan, the Company shall have the right to require the optionee to remit to the Company an amount sufficient to satisfy any federal, state and/or local withholding tax requirements prior to the issuance of any certificate or certificates for such shares or delivery of such cash or other assets.

Alternatively, the Company may issue or transfer such shares of stock or make other distributions of cash or other assets net of the number of shares or other amounts sufficient to satisfy the withholding tax requirements. For withholding tax purposes, the shares of stock, cash and other assets to be distributed shall be valued on the date the withholding obligation is incurred.

21. TERMINATION AND AMENDMENT. The Board may at any time alter, suspend, terminate or discontinue the Plan, subject to any applicable regulatory requirements and any required shareholder approval or any shareholder approval which the Board may deem advisable for any reason, such as for the purpose of obtaining or retaining any statutory or regulatory benefits under tax, securities or other laws or satisfying applicable stock exchange or quotation system listing requirements. The Board may not, without the consent of the holder of an Option previously granted, make any alteration which would deprive the optionee of his rights with respect thereto.

22. CAPTIONS AND HEADINGS; GENDER AND NUMBER. Captions and paragraph headings used herein are for convenience only, do not modify or affect the meaning of any provision herein, and are not a part, and shall not serve as a basis for interpretation or construction of, this Plan. As used herein, the masculine gender shall include the feminine and neuter, and the singular number shall include the plural, and vice versa, whenever such meanings are appropriate.

23. COST OF PLAN; EXCULPATION AND INDEMNIFICATION. All costs and expenses incurred in the operation and administration of the Plan shall be borne by the Company. In connection with this Plan, no member of the Board and no member of the Committee shall be personally liable for any act or commission to act, or for any mistake in judgment made in good faith, unless arising out of, or resulting from, such person's own bad faith, willful misconduct or criminal acts. To the extent permitted by applicable laws and regulations, the Company shall indemnify, defend and hold harmless the members of the Board and members of the Committee, and each other officer or employee of the Company or of subsidiary corporation to whom any power or duty relating to the administration or interpretation of this Plan may be assigned or delegated, from and against any and all liabilities (including any amount paid in settlement of a claim with the approval of the Board), and any costs or expenses (including counsel fees) incurred by such persons arising out of or as a result of, any act or omission to act, in connection with the performance of such person's duties, responsibilities and obligations under this Plan, other than such liabilities, costs and expenses as may arise out of, or result from, the bad faith, willful misconduct or criminal acts of such persons.

24. GOVERNING LAW. Without regard to the principles of conflicts of laws, the laws of the Commonwealth of Pennsylvania shall govern and control the validity, interpretation, performance and enforcement of this Plan.

Exhibit 31.1

RULE 13A-14(a) CERTIFICATION
OF THE PRINCIPAL EXECUTIVE OFFICER

I, Christopher J. Annas, President and Chief Executive Officer of Meridian Bank, certify that:

1. I have reviewed this Annual Report on Form 10-K of Meridian Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2018

/s/ Christopher J. Annas
Christopher J. Annas
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

RULE 13A-14(a) CERTIFICATION
OF THE PRINCIPAL FINANCIAL OFFICER

I, Denise Lindsay, Executive Vice President and Chief Financial Officer of Meridian Bank, certify that:

1. I have reviewed this Annual Report on Form 10-K of Meridian Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 31, 2018

/s/ Denise Lindsay
Denise Lindsay
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32

SECTION 1350 CERTIFICATIONS

In connection with the Annual Report of Meridian Bank on Form 10-K for the fiscal year ended December 31, 2017 as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Meridian Bank.

/s/ Christopher J. Annas
Christopher J. Annas
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Denise Lindsay
Denise Lindsay
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: March 31, 2018