FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 10-Q

(Mark one)

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

For the quarterly period ended **March 31, 2018**

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**

MERIDIAN BANK
(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 19355
(Address of principal executive offices) (Zip Code)

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

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 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 ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
Emerging growth company ☒	

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

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 14, 2018 there were 6,392,287 outstanding shares of the issuer's common stock, par value $1.00 per share.

TABLE OF CONTENTS

PART I–FINANCIAL INFORMATION

Item 1. Financial Statements.

MERIDIAN BANK AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

		(unaudited) March 31, 2018	December 31, 2017
Cash and due from banks	$	24,534	24,893
Federal funds sold		430	10,613
Cash and cash equivalents		24,964	35,506
Securities available-for-sale, amortized cost of $39,291 and $40,393 as of March 31, 2018 and December 31, 2017, respectively		38,541	40,006
Securities held-to-maturity, fair value of $12,670 and $12,869 as of March 31, 2018 and December 31, 2017, respectively		12,831	12,861
Mortgage loans held for sale, amortized cost of $30,509 and $34,673 as of March 31, 2018 and December 31, 2017, respectively		30,858	35,024
Loans, net of fees and costs (includes $10,859 and $9,972 of loans at fair value, amortized cost of $10,852 and $9,788 as of March 31, 2018 and December 31, 2017, respectively		740,408	694,637
Allowance for loan losses		(7,138)	(6,709)
Loans, net of the allowance for loan losses		733,270	687,928
Restricted investment in bank stock		5,832	6,814
Bank premises and equipment, net		10,446	9,741
Bank owned life insurance		11,347	11,269
Accrued interest receivable		2,364	2,536
Other real estate owned		427	437
Deferred income taxes		1,439	1,312
Goodwill and intangible assets		5,427	5,495
Other assets		5,775	7,106
Total assets	$	883,521	856,035
Liabilities:			
Deposits:			
Noninterest bearing	$	105,576	100,454
Interest-bearing		573,727	526,655
Total deposits		679,303	627,109
Short-term borrowings		77,710	99,750
Long-term debt		8,656	8,863
Subordinated debentures		9,308	13,308
Accrued interest payable		346	216
Other liabilities		5,838	5,426
Total liabilities		781,161	754,672
Stockholders' equity:			
Common stock, $1 par value. Authorized 10,000,000 shares; issued and outstanding 6,392,287 as of March 31, 2018 and December 31, 2017		6,392	6,392
Surplus		79,504	79,501
Retained earnings		17,038	15,768
Accumulated other comprehensive loss		(574)	(298)
Total stockholders' equity		102,360	101,363
Total liabilities and stockholders' equity	$	883,521	856,035

See accompanying notes to unaudited consolidated financial statements.

(continued)

MERIDIAN BANK AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)

		For the three months ended March 31, 2018	2017
Interest income:			
Loans, including fees	$	9,493	7,861
Securities:			
Taxable		168	101
Tax-exempt		112	118
Cash and cash equivalents		23	24
Total interest income		9,796	8,104
Interest expense:			
Deposits		1,659	902
Borrowings		445	475
Total interest expense		2,104	1,377
Net interest income		7,692	6,727
Provision for loan losses		554	159
Net interest income after provision for loan losses		7,138	6,568
Noninterest income:			
Mortgage banking income		4,821	6,064
Wealth management income		1,078	103
Earnings on investment in life insurance		78	29
Net change in the fair value of derivative instruments		207	168
Net change in the fair value of loans held-for-sale		(3)	200
Net change in the fair value of loans held-for-investment		(171)	61
Service charges		32	20
Other		1,014	357
Total noninterest income		7,056	7,002
Noninterest expenses:			
Salaries and employee benefits		8,436	9,614
Occupancy and equipment		960	878
FDIC assessment		15	111
Professional fees		479	367
Data processing		288	261
Advertising and promotion		581	422
Loan expenses		532	772
Other		1,271	1,035
Total noninterest expenses		12,562	13,460
Income before income taxes		1,632	110
Income tax expense		362	8
Net income		1,270	102
Dividends on preferred stock		-	(289)
Net income for common stockholders	$	1,270	(187)
Basic earnings per common share	$	0.20	(0.05)
Diluted earnings per common share	$	0.20	(0.05)

See accompanying notes to unaudited consolidated financial statements.

(continued)

MERIDIAN BANK AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	For the three months ended March 31,	
	2018	**2017**
Net income:	$ 1,270	102
Other comprehensive income:		
Net change in unrealized gains on investment securities available for sale:		
Net unrealized (losses) gains arising during the period, net of tax (benefit) expense of ($87) and $68, respectively	(276)	126
Unrealized investment gains (losses), net of tax expense (benefit) of ($87) and $68, respectively	(276)	126
Total other comprehensive income	(276)	126
Total comprehensive income	$ 994	228

See accompanying notes to unaudited consolidated financial statements.

(continued)

MERIDIAN BANK AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands)

For the three months ended March 31, 2018 and 2017

		Preferred Stock	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2016	$	12,845	3,685	39,887	13,854	(308)	69,963
Comprehensive income:							
Net income					102		102
Change in unrealized gains on securities available-for-sale, net of tax						126	126
Total comprehensive income							228
Dividends on preferred stock					(289)		(289)
Share-based awards and exercises			1	9			10
Compensation expense related to stock option grants				30			30
Balance, March 31, 2017	$	12,845	3,686	39,926	13,667	(182)	69,942

		Preferred Stock	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2017	$	-	6,392	79,501	15,768	(298)	101,363
Comprehensive income:							
Net income					1,270		1,270
Change in unrealized gains on securities available-for-sale, net of tax						(276)	(276)
Total comprehensive income							994
Compensation expense related to stock option grants				3			3
Balance, March 31, 2018	$	-	6,392	79,504	17,038	(574)	102,360

See accompanying notes to unaudited consolidated financial statements.

(continued)

MERIDIAN BANK AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended March 31,	
	2018	**2017**
Net income	$ 1,270	102
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain (loss) on sale of investment securities	-	-
Depreciation and amortization	285	185
Provision for credit losses	554	159
Compensation expense for stock options	3	30
Net change in fair value of loans held for sale	3	(200)
Net change in fair value of derivative instruments	(207)	(168)
Proceeds from sale of loans	136,321	156,433
Loans originated for sale	(127,337)	(138,504)
Mortgage banking income	(4,821)	(6,064)
(Decrease) increase in accrued interest receivable	172	123
(Increase) decrease in other assets	(1,177)	280
Earnings from investment in life insurance	(78)	(29)
Deferred income tax (benefit) expense	(40)	(17)
Increase in accrued interest payable	130	111
Increase in other liabilities	367	694
Net cash provided by (used in) operating activities	5,445	13,135
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Maturities, repayments and calls	1,006	893
Purchases	-	(1,522)
Activity in held-to-maturity securities:		
Maturities, repayments and calls	-	-
Purchases	-	-
Proceeds from sale of OREO	10	-
Settlement of forward contracts	(6)	480
Decrease in restricted stock	982	1,014
Net increase in loans	(45,576)	(23,122)
Purchases of premises and equipment	(1,116)	(338)
Proceeds from settlement of loans	2,766	-
Purchase of bank owned life insurance	-	(5,999)
Net cash used in investing activities	(41,934)	(28,594)
Cash flows from financing activities:		
Net increase in deposits	52,194	38,669
Decrease in short term borrowings	(22,040)	(20,519)
Repayment of long term debt (Acquisition note)	(207)	-
Repayment of long term debt (FHLB advances)	-	(4,144)
Principal repayment of long term debt (subordinated debt)	(4,000)	-
Share based awards and exercises	-	10
Dividends paid on preferred stock	-	(289)
Net cash provided by financing activities	25,947	13,727
Net change in cash and cash equivalents	(10,542)	(1,732)
Cash and cash equivalents at beginning of year	35,506	18,872
Cash and cash equivalents at end of year	$ 24,964	17,140
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 1,974	1,266
Income taxes	-	-
Supplemental disclosure of noncash flow information:		
Transfers from loans and leases to real estate owned	$ -	-

See accompanying notes to unaudited consolidated financial statements.

(continued)

(1) Basis of Presentation

The unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of Meridian Bank's (the "Bank") management, all adjustments necessary for a fair presentation of the consolidated financial position and the results of operations for the interim periods presented have been included.

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.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Bank's Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Annual Report"). Certain prior period amounts have been reclassified to conform with current period presentation. Operating results for the three months ended March 31, 2018 are not necessarily indicative of the results for the year ended December 31, 2018 or for any other period.

(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.

(dollars in thousands except per share data)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Numerator:		
Net income available to common shareholders	$ 1,270	$ (187)
Denominator for basic earnings per share - weighted average shares outstanding	6,392	3,685
Effect of dilutive common shares	34	—
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	6,426	3,685
Basic earnings per share	$ 0.20	$ (0.05)
Diluted earnings per share	$ 0.20	$ (0.05)
Antidilutive shares excluded from computation of average dilutive earnings per share	47	28

(continued)

(3) Goodwill and Other Intangibles

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

(dollars in thousands)		**Gross Balance**		**Accumulated Amortization**		**Balance March 31, 2018**	**Amortization Period (in years)**
Goodwill – HJ Wealth	$	899	$	-	$	899	Indefinite
Total	$	899	$	-	$	899	
Intangible assets - trade name	$	266	$	-	$	266	Indefinite
Intangible assets - customer relationships		4,083		(204)		3,879	20
Intangible assets - non competition agreements		275		(69)		206	4
Contingent asset		177		-		177	N/A
Total	$	4,801	$	(273)	$	4,528	
Grand total	$	5,700	$	(273)	$	5,427	

We recognized amortization expense on intangible assets of $68 thousand during the three-month period ended March 31, 2018. 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" as of December 31, 2017. For the period from January 1, 2018 through March 31, 2018, the Bank determined there were no events that would necessitate impairment testing of goodwill and other intangible assets.

(4) Securities

The amortized cost and approximate fair value of securities as of March 31, 2018 and December 31, 2017 are as follows:

		March 31, 2018			
(dollars in thousands)		**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Securities available-for-sale:					
U.S. government agency mortgage-backed securities		20,563	5	(323)	20,245
U.S. government agency collateralized mortgage obligations		7,693	—	(131)	7,562
State and municipal securities		10,035	—	(286)	9,749
Investments in mutual funds and other equity securities		1,000	—	(15)	985
Total securities available-for-sale	$	39,291	5	(755)	38,541
Securities held to maturity:					
U.S. Treasuries	$	1,981	—	(16)	1,965
State and municipal securities		10,850	21	(166)	10,705
Total securities held-to-maturity	$	12,831	21	(182)	12,670

(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

At March 31, 2018, the Bank had twenty-two U.S. government sponsored agency mortgage-backed securities, ten U.S. government sponsored agency collateralized mortgage obligations and twenty-nine state and municipal securities in unrealized loss positions. At December 31, 2017, the Bank had 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. As of March 31, 2018, 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 March 31, 2018 and December 31, 2017:

(continued)

(dollars in thousands)	March 31, 2018					
	Less than 12 Months		**12 Months or more**		**Total**	
	Fair value	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**
Securities available-for-sale:						
Investments in mutual funds	985	(15)	—	—	985	(15)
U.S. government agency mortgage-backed securities	10,596	(101)	8,642	(222)	19,238	(323)
State and municipal securities	7,003	(148)	2,746	(138)	9,749	(286)
U.S. government agency collateralized mortgage obligations	5,378	(112)	2,184	(19)	7,562	(131)
Total securities available for sale	$ 23,962	(376)	13,572	(379)	37,534	(755)
Securities held-to-maturity:						
State and municipal securities	$ 8,844	(166)	—	—	8,844	(166)
U.S. Treasures	1,965	(16)			1,965	(16)
Total securities held-to-maturity	$ 10,809	(182)	—	—	10,809	(182)

(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 available-for-sale:						
U.S. government agency mortgage-backed securities	9,788	(28)	7,854	(162)	17,642	(190)
State and municipal securities	6,147	(57)	2,818	(77)	8,965	(134)
U.S. government agency collateralized mortgage obligations	6,732	(81)	860	(18)	7,592	(99)
Total securities available for sale	$ 22,667	(166)	11,532	(3,257)	34,199	(423)
Securities held-to-maturity:						
State and municipal securities	$ 4,851	(70)	—	—	4,851	(70)
U.S. Treasures	1,962	(8)			1,962	(8)
Total securities held-to-maturity	$ 6,813	(78)	—	—	6,813	(78)

(continued)

The amortized cost and carrying value of securities at March 31, 2018 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.

	March 31, 2018			
	Available-for-sale		Held-to-maturity	
(dollars in thousands)	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$ 1,000	985	—	—
Due after one year through five years	5,607	5,523	3,802	3,768
Due after five years through ten years	6,280	6,084	7,156	7,023
Due after ten years	26,404	25,949	1,873	1,879
	$ 39,291	38,541	12,831	12,670

(5) Loans Receivable

Loans and leases outstanding at March 31, 2018 and December 31, 2017 are detailed by category as follows:

(dollars in thousands)	March 31, 2018	December 31, 2017
Mortgage loans held for sale	$ 30,858	35,024
Real estate loans:		
Commercial mortgage	277,410	263,141
Home equity lines and loans	81,250	84,039
Residential mortgage	37,120	32,375
Construction	119,513	104,970
Total real estate loans	515,293	484,525
Commercial and industrial	225,567	209,996
Consumer	605	1,022
Leases, net	625	762
Total portfolio loans and leases	742,090	696,305
Total loans and leases	$ 772,948	731,329
Loans with predetermined rates	$ 210,115	202,317
Loans with adjustable or floating rates	562,833	529,012
Total loans and leases	$ 772,948	731,329
Net deferred loan origination (fees) costs	$ (1,682)	(1,668)

Components of the net investment in leases at March 31, 2018 and December 31, 2017 are detailed as follows:

(dollars in thousands)		March 31, 2018	December 31, 2017
Minimum lease payments receivable	$	649	793
Unearned lease income		(24)	(31)
Total	$	625	762

Age Analysis of Past Due Loans and Leases

The following table presents an aging of the Bank's loan and lease portfolio as of March 31, 2018 and December 31, 2017, respectively:

(dollars in thousands) *March 31, 2018*		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	276,996	277,410	0.15%
Home equity lines and loans		273	71	344	80,906	81,250	0.42
Residential mortgage		1,160	1,082	2,242	34,878	37,120	6.04
Construction		-	185	185	119,328	119,513	0.15
Commercial and industrial		-	1,198	1,198	224,369	225,567	0.53
Consumer		-	-	-	605	605	-
Leases		128	-	128	497	625	20.48
	$	1,561	2,950	4,511	737,579	742,090	0.61%

As of March 31, 2018, no loans or leases were 90 days or more past due and still accruing.

(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 or more past due and still accruing.

(continued)

(6) 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, for the three-month period ended March 31, 2018 and 2017, respectively:

Three months ended March 31, 2018

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Balance, December 31, 2017	$	2,434	280	82	1,689	2,214	5	5	-	6,709
Charge-offs		-	(66)	-	-	(80)	-	-	-	(146)
Recoveries		2	2	-	-	16	1	-	-	21
Provision for loan and lease losses		130	46	45	172	165	(3)	(1)	-	554
Balance, March 31, 2018	$	2,566	262	127	1,861	2,315	3	4	-	7,138

Three months ended March 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		-	(9)	-	-	-	-	-	-	(9)
Recoveries		-	1	1	-	131	1	-	-	134
Provision for loan and lease losses		(230)	13	27	442	36	1	8	(138)	159
Balance, March 31, 2017	$	1,808	465	113	1,132	2,140	4	13	34	5,709

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 March 31, 2018 and December 31, 2017:

March 31, 2018

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Total
Allowance on loans and leases:									
Individually evaluated for impairment	$	-	-	-	-	2	-	-	2
Collectively evaluated for impairment		2,566	262	127	1,861	2,313	3	4	7,136
Total	$	2,566	262	127	1,861	2,315	3	4	7,138

(continued)

December 31, 2017

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	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

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 March 31, 2018 and December 31, 2017:

March 31, 2018

(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	$	1,522	71	249	256	3,264	-	-	5,362
Collectively evaluated for impairment		275,889	81,179	26,006	119,257	222,302	605	625	725,863
Total	$	277,411	81,250	26,255	119,513	225,566	605	625	731,225 (1)

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	-	-	4,682
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 (1)

(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 March 31, 2018 and December 31, 2017:

March 31, 2018 *(dollars in thousands)*		**Pass**	**Special mention**	**Substandard**	**Doubtful**	**Total**
Commercial mortgage	$	271,547	4,983	880	-	277,410
Home equity lines and loans		81,179	-	71	-	81,250
Construction		117,396	2,117	-	-	119,513
Commercial and industrial		201,500	19,660	3,763	644	225,567
Total	$	671,622	26,760	4,714	644	703,740

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

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 of March 31, 2018 and December 31, 2017. No troubled debt restructurings performing according to modified terms are included in Performing Residential mortgages below as of March 31, 2018 and December 31, 2017.

(continued)

March 31, 2018

(dollars in thousands)		Residential mortgage	Consumer	Leases	Total
Performing	$	26,006	605	625	27,236
Nonperforming		249	-	-	249
Total	$	26,255	605	625	27,485

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

There were four nonperforming residential mortgage loans at March 31, 2018 and December 31, 2017 with a combined outstanding principal balance of $833 thousand and $826 thousand, respectively, which were carried at fair value and not included in the table above.

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.

(dollars in thousands) **March 31, 2018**		**Recorded investment**	**Principal balance**	**Related allowance**	**Average recorded investment**
Impaired loans with related allowance:					
Commercial mortgage	$	-	-	-	-
Commercial and industrial		96	463	2	105
Home equity lines and loans		-	-	-	-
Residential mortgage		-	-	-	-
Construction		-	-	-	-
Total		96	463	2	105
Impaired loans without related allowance:					
Commercial mortgage	$	1,522	2,015	-	1,528
Commercial and industrial		3,168	4,154	-	3,199
Home equity lines and loans		71	71	-	71
Residential mortgage		249	249	-	249
Construction		256	256	-	257
Total		5,266	6,745	-	5,304
Grand Total	$	5,362	7,208	2	5,409

Interest income recognized on performing impaired loans amounted to $52 thousand and $84 thousand for the three months ended March 31, 2018 and March 31, 2017, respectively.

(dollars in thousands) **December 31, 2017**		**Recorded investment**	**Principal balance**	**Related allowance**	**Average recorded investment**
Impaired loans with related allowance:					
Commercial mortgage	$	-	-	-	-
Commercial and industrial		124	491	1	173
Home equity lines and loans		-	-	-	-
Residential mortgage		-	-	-	-
Construction		-	-	-	-
Total		124	491	1	173
Impaired loans without related allowance:					
Commercial mortgage	$	1,534	2,025	-	1,537
Commercial and industrial		1,907	3,180	-	2,945
Home equity lines and loans		137	137	-	137
Residential mortgage		249	249	-	249
Construction		260	260	-	267
Total		4,087	5,851	-	5,135
Grand Total	$	4,211	6,342	1	5,308

Troubled Debt Restructuring

The restructuring of a loan is considered a “troubled debt restructuring” (“TDR”) 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 March 31, 2018 and December 31, 2017 are as follows:

(dollars in thousands)

	March 31 2018	December 31 2017
TDRs included in nonperforming loans and leases	$ 723	741
TDRs in compliance with modified terms	1,829	1,900
Total TDRs	$ 2,552	2,641

There were no loan and lease modifications granted during the three months ended March 31, 2018 that were categorized as TDRs.

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

($ in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Related Allowance
Commercial and industrial	1	165	165	-
	1	165	165	-

No loan modifications granted during the three months ended March 31, 2017 subsequently defaulted during the same time period.

The following tables present information regarding the types of loan and lease modifications made for the three months ended March 31, 2017:

March 31, 2017	Interest Rate Change and Loan Term Extension
Commercial and industrial	1
Total	1

(7) 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 ("FHLB"). The Bank has two Federal Funds borrowing facilities with correspondent banks: one of $10,000,000 and one of $20,000,000. The first $5,000,000 and $15,000,000, 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 and March 31, 2018, respectively. The Bank also has a facility with the Federal Reserve discount window of $11,734,210. This facility is secured by investment securities and loans. There were no borrowings under this facility at March 31, 2018.

Short-term borrowings as of March 31, 2018 consisted of short-term advances from FHLB of Pittsburgh in the amount of $74,009,500 with interest at 1.87%, $2,500,000 with an original term of 5 years and interest at 1.92% and $1,200,000 with an original term of 2 years and interest at 0.97%.

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%, $2,500,000 with an original term of 5 years and interest at 1.92%, $1,200,000 with an original term of 2 years and interest at 0.97%, $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%.

Long-term debt at March 31, 2018 and December 31, 2017 consisted of the following fixed rate notes with the FHLB of Pittsburgh and the acquisition purchase note issued in connection with HJ Wealth:

			Balance as of	
(dollars in thousands)	**Maturity date**	**Interest rate**	**March 31 2018**	**December 31, 2017**
Mid-term Repo-fixed	08/10/20	2.76%	5,000	5,000
Mid-term Repo-fixed	06/26/19	1.70%	1,800	1,800
Acquisition Purchase Note	04/01/20	3.00%	1,856	2,063
			$ 8,656	8,863

The FHLB of Pittsburgh has also issued $51,600,000 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 $373,546,351 as of March 31, 2018 and $380,159,142 as of December 31, 2017. All advances and letters of credit from the FHLB are secured by qualifying assets of the Bank.

(8) 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 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 is 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.

(continued)

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 March 31, 2018 and December 31, 2017 are as follows:

		March 31, 2018			
(dollars in thousands)		**Total**	**Level 1**	**Level 2**	**Level 3**
Securities available for sale:					
U.S. government agency mortgage-backed securities	$	20,245	-	20,245	-
U.S. government agency collateralized mortgage obligations		7,562	-	7,562	-
State and municipal securities		9,749	-	9,749	-
Investments in mutual funds and other equity securities		985	-	985	-
Mortgage loans held-for-sale		30,858	-	30,858	-
Loans held-for-investment		10,859		10,859	-
Interest rate lock commitments		562	-	-	562
Total	$	80,820	-	80,258	562

		December 31, 2017			
(dollars in thousands)		**Total**	**Level 1**	**Level 2**	**Level 3**
Securities available for sale:					
U.S. government agency mortgage-backed securities	$	21,269	-	21,269	-
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)

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at March 31, 2018 and December 31, 2017 are as follows:

		March 31, 2018			
(dollars in thousands)		**Total**	**Level 1**	**Level 2**	**Level 3**
Impaired loans (2)	$	6,182	-	-	6,182
Other real estate owned (1)		427	-	-	427
Total	$	6,609	-	-	6,609

		December 31, 2017			
(dollars in thousands)		**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

(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.

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.

(continued)

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.

(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 and the acquisition purchase note payable 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.

The estimated fair values of the Bank's financial instruments at March 31, 2018 and December 31, 2017 are as follows:

	Fair Value Hierarchy Level		March 31, 2018 Carrying amount	March 31, 2018 Fair value	December 31, 2017 Carrying amount	December 31, 2017 Fair value
Financial assets:						
Cash and cash equivalents	Level 1	$	24,964	24,964	35,506	35,506
Securities available-for-sale	Level 2		38,541	38,541	40,006	40,006
Securities held to maturity	Level 2		12,831	12,670	12,861	12,868
Loans held for sale	Level 2		30,858	30,858	35,024	35,024
Loans receivable, net	Level 3		733,270	745,876	687,928	679,824
Derivative financial instruments	Level 3		562	562	310	310
Restricted investment in bank stock	Level 3		5,832	5,832	6,814	6,814
Accrued interest receivable	Level 3		2,364	2,364	2,536	2,536
Financial liabilities:						
Deposits	Level 2		679,303	644,100	627,109	626,635
Short-term borrowings	Level 2		77,710	80,082	99,750	99,750
Long-term debt	Level 2		8,656	8,662	8,863	8,865
Subordinated debentures	Level 2		9,308	9,418	13,308	12,883
Accrued interest payable	Level 2		346	346	216	216
Derivative financial instruments	Level 3		120	120	75	75
Off-balance sheet financial instruments:			Notional amount	Fair value	Notional amount	Fair value
Commitments to extend credit	Level 2		236,596	562	220,180	310
Letters of credit	Level 2		1,991	-	1,809	-

(9) Derivative Financial Instruments

Mortgage Banking Derivatives

In connection with its mortgage banking activities, the Bank enters into commitments to originate certain fixed rate residential mortgage loans for customers, also referred to as interest rate locks. In addition, the Bank 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 value is measured. Interest rate lock commitments are recorded within other assets and forward commitments are recorded within other liabilities on the consolidated balance sheets, with changes in fair values during the period recorded within mortgage banking income 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)	March 31, 2018		December 31, 2017	
	Notional Amount	**Asset (Liability) Fair Value**	**Notional Amount**	**Asset (Liability) Fair Value**
Interest Rate Lock Commitments				
Positive fair values	$ 53,045	$ 586	$ 38,574	$ 344
Negative fair values	4,682	(24)	7,201	(34)
Net interest rate lock commitments	57,727	562	45,775	310
Forward Commitments				
Positive fair values	2,000	14	6,500	5
Negative fair values	42,500	(134)	32,250	(80)
Net forward commitments	44,500	(120)	38,750	(75)
Net derivative fair value asset	$ 102,227	$ 442	$ 84,525	$ 235

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)	**Three Months Ended March 31**	**Year Ended December 31**
	2018	**2017**
Interest Rate Lock Commitments	$ 252	(367)
Forward Commitments	(45)	(60)
Net fair value gains (losses) on derivative financial instrument	$ 207	(427)

Realized gains/(losses) on derivatives were $700 thousand and ($9 thousand) for the three months ended March 31, 2018 and 2017, respectively and included in other non-interest income.

(10) Segments

ASC Topic 280 – "Segment Reporting" identifies operating segments as components of an enterprise which are evaluated regularly by the Bank's Chief Operating Decision Maker, our 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 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, BOLI income. Prior to our expansion in the wealth management area due to the acquisition in April 2017, revenue and expenses for wealth management services were immaterial and were also included in this segment. For 2018 presentation, this division has been disclosed as a separate segment.

(continued)

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. The unit generates non-interst income through advisory fees.

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.

	Three Months Ended March 31, 2018			
(dollars in thousands)	**Bank**	**Wealth**	**Mortgage**	**Consolidated**
Net interest income	7,527	84	81	7,692
Provision for loan losses	(554)	-	-	(554)
Net interest income after provision	6,973	84	81	7,138
Non-interest Income				
Service charges on deposits	32	-	-	32
Other fee income	202	-	111	313
Wealth management	29	1,049	-	1,078
Mortgage fees (margin)	30	-	4,791	4,821
BOLI income	78	-	-	78
Net change in the fair value of loans held-for-sale	-	-	(3)	(3)
Net change in the fair value of loans held-for-investment	-	-	(171)	(171)
Net change in the fair value of derivative instruments	-	-	207	207
Realized gains on derivative instruments	-	-	700	700
Gain on sale of loans	1	-	-	1
Total non-interest income	372	1,049	5,635	7,056
Non-interest Expense				
Salaries and employee benefits	3,492	489	4,455	8,436
Occupancy & equipment	534	33	393	960
Professional services	431	8	40	479
Data processing	180	30	78	288
Advertising & promotion	254	98	229	581
Loan expenses	85	-	447	532
Other	960	112	214	1,286
	5,936	770	5,856	12,562
Operating Margin	**$ 1,409**	**$ 363**	**$ (140)**	**$ 1,632**

(continued)

(dollars in thousands)	Three Months Ended March 31, 2017 Meridian Bank	Meridian Mortgage	Consolidated
Net interest income	6,651	76	6,727
Provision for loan losses	(159)	-	(159)
Net interest income after provision	6,492	76	6,568
Non-interest Income			
Service charges on deposits	20	-	20
Other fee income	192	99	291
Wealth management	103	-	103
Mortgage fees (margin)	-	6,064	6,064
Boli income	29	-	29
Net change in the fair value of loans held-for-sale	-	200	200
Net change in the fair value of loans held-for-investment	-	61	61
Net change in the fair value of derivative instruments	-	168	168
Realized losses on derivative instruments	-	(9)	(9)
Gain on sale of loans	75	-	75
Total non-interest income	419	6,583	7,002
Non-interest Expense			
Salaries and employee benefits	3,323	6,291	9,614
Occupancy & equipment	549	329	878
Professional services	246	121	367
Data processing	176	85	261
Advertising & promotion	250	172	422
Loan expenses	69	703	772
Other	863	283	1,146
	5,476	7,984	13,460
Operating Margin	**$ 1,435**	**$ (1,325)**	**$ 110**

(continued)

(11) Recent Litigation

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. Although the Bank believes it has strong and meritorious defenses, 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.

(12) 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 our initial 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 Accounting Standards Update ("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 Financial Accounting Standards Board ("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 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.

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 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. ASU 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 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 2016-13 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. ASU 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10) clarifies certain aspects of ASU 2016-01 and has the same effective dates for non-public companies. The Bank is evaluating the effect that ASU 2016-01 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 amendment 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.

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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis in conjunction with the unaudited consolidated interim financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the year ended December 31, 2017 (the "2017 10-K") included in our Annual Report on Form 10-K filed with the Federal Deposit Insurance Corporation (the "FDIC").

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 Quarterly Report on Form 10-Q 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, 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.

Critical Accounting Policies, Judgments 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 several accounting policies that, due to the estimates, assumptions and judgements inherent in those policies, are critical in understanding our financial statements.

These policies include (i) determining the provision and allowance for loan and lease losses, (ii) the valuation of intangible assets and goodwill, and (iii) the determination of fair value for financial instruments. Management has presented the application of these policies to the audit committee of our board of directors.

These critical accounting policies, along with other significant accounting policies, are presented in in Note 1 of Meridian's Consolidated Financial Statements as of and for the years ended December 31, 2017 and 2016 included in the 2017 10-K.

Recent Acquisitions

As discussed previously, Meridian Bank acquired HJ Wealth Management, LLC in April 2017.

Executive Overview

The following items highlight the Bank's results of operations for the three months ended March 31, 2018, as compared to the same periods in 2017, and the changes in its financial condition as of March 31, 2018 as compared to December 31, 2017. More detailed information related to these highlights can be found in the sections that follow.

(continued)

Three Month Results of Operations

- Net income for common stockholders for the three months ended March 31, 2018 was $1.3 million, or $0.20 per diluted share, an increase of $1.5 million as compared to net loss of $187 thousand for the same period in 2017.
- Return on average equity ("ROE") and return on average assets ("ROA") for the three months ended March 31, 2018 were 5.07% and 0.61%, respectively.
- Net interest income increased $965 thousand, or 14.4%, to $7.7 million for the three months ended March 31, 2018, as compared to $6.7 million for the same period in 2017.
- Provision for loan and lease losses (the "Provision") of $554 thousand for the three months ended March 31, 2018 was an increase of $395 thousand from the $159 thousand Provision recorded for the same period in 2017.
- Noninterest income of $7.1 million for the three months ended March 31, 2018 was a $54 thousand or 0.8% increase from the same period in 2017.
- Mortgage banking income decreased $1.2 million, or 20.5%, to $4.8 million for the three months ended March 31, 2018, as compared to $6.1 million for the same period in 2017.
- Noninterest expense of $12.6 million for the three months ended March 31, 2018 decreased $898 thousand, or 6.7%, from $13.5 million for the same period in 2017.

Changes in Financial Condition

- Total assets of $883.5 million as of March 31, 2018 increased $27.5 million, or 3.2%, from December 31, 2017.
- Shareholders' equity of $102.4 million as of March 31, 2018 increased $997 thousand from $101.4 million as of December 31, 2017.
- Total portfolio loans and leases as of March 31, 2018 were $740.4 million, an increase of $45.8 million, or 6.6%, from $694.6 million at December 31, 2017.
- Total non-performing loans and leases of $2.9 million represented 0.38% of portfolio loans and leases as of March 31, 2018 as compared to $3.2 million, or 0.43% of portfolio loans and leases, as of December 31, 2017.
- The $7.1 million allowance for loan losses ("Allowance'), as of March 31, 2018, represented 0.96% of portfolio loans and leases, as compared to $6.7 million, or 0.96% of portfolio loans and leases, as of December 31, 2017.
- Total deposits of $679.3 million as of March 31, 2018 increased $52.2 million, or 8.3%, from $627.1 million as of December 31, 2017.

Key Performance Ratios

Key financial performance ratios for the three months ended March 31, 2018 and 2017 are shown in the table below:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Annualized return on average equity	5.07%	0.60%
Annualized return on average assets	0.61%	0.06%
Net interest margin (tax effected yield)	3.91%	3.97%
Basic earnings per share	$ 0.20	$ (0.05)
Diluted earnings per share	$ 0.20	$ (0.05)

(continued)

The following table presents certain key period-end balances and ratios as of March 31, 2018 and December 31, 2017:

(dollars in millions, except per share amounts)		**March 31, 2018**			**December 31, 2017**	
Book value per share	$	16.01		$	15.86	
Allowance as a percentage of loans and leases held for investment		0.96	%		0.96	%
Tier I capital to risk weighted assets		12.36	%		12.85	%
Tangible common equity ratio (1)		11.03	%		11.27	%
Loans held for investment	$	740.4		$	694.6	
Total assets	$	883.5		$	856.0	
Shareholders' equity	$	102.4		$	101.4	

(1) Tangible common equity ratio is a non-GAAP financial measure. See "Non-GAAP Financial Measures" for a reconciliation of this measure to its most comparable GAAP measure.

Non-GAAP Financial Measures

Some of the financial measures included in this Quarterly Report on Form 10-Q are not measures of financial performance recognized by GAAP. These non-GAAP financial measures include the "tangible common equity" ratio. Our management used the measure of the tangible common equity ratio to assess our capital strength. We believe that this non-GAAP financial measure is useful to investors because, by removing the impact of our preferred stock, goodwill and other intangible assets, it allows investors to more easily assess our capital adequacy. This non-GAAP financial measure should not be considered a substitute for any regulatory capital ratios and may not be comparable to other similarly titled measures used by other companies. The table below provides the non-GAAP reconciliation for our tangible common equity ratio:

Tangible common equity ratio:	**March 31, 2018**	**December 31, 2017**
Total stockholders' equity	102,360	101,363
Less:		
Goodwill	899	899
Intangible assets	4,528	4,596
Tangible common equity	96,933	95,868
Total assets	883,527	748,685
Less:		
Goodwill	899	899
Intangible assets	4,528	4,596
Tangible assets	878,100	743,190
Tangible common equity ratio	11.04%	12.90%

The following sections discuss, in detail, the Bank's results of operations for the three months ended March 31, 2018, as compared to the same periods in 2017, and the changes in its financial condition as of March 31, 2018 as compared to December 31, 2017.

Components of Net Income

Net income is comprised of five major elements:

- **Net Interest Income**, or the difference between the interest income earned on loans, leases and investments and the interest expense paid on deposits and borrowed funds;

- **Provision For Loan and Lease Losses**, or the amount added to the Allowance to provide for estimated inherent losses on portfolio loans and leases;

- **Noninterest Income,** which is made up primarily of mortgage banking revenue, wealth management revenue, gains and losses from the sale loans, gains and losses from the sale of investment securities available for sale and other fees from loan and deposit services;

- **Noninterest Expense**, which consists primarily of salaries and employee benefits, occupancy, loan expenses, professional fees and other operating expenses; and

- **Income Taxes**, which include state and federal jurisdictions.

NET INTEREST INCOME

Net interest income is an integral source of the Bank's revenue. The tables below present a summary, for the three months ended March 31, 2018 and 2017, of the Bank's average balances and yields earned on its interest-earning assets and the rates paid on its interest-bearing liabilities. The net interest margin is the net interest income as a percentage of average interest-earning assets. The net interest spread is the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities. The difference between the net interest margin and the net interest spread is the results of net free funding sources such as noninterest deposits and stockholders' equity.

Total interest income for the three months ending March 31, 2018 was $9.8 million, which represented a $1.7 million, or 20.6%, increase compared with the three months ending March 31, 2017. The increase in income was attributable to a $108.3 million increase in average earning assets, year over year, helped by an increase of 20 basis points in yield on earning assets, to 4.95% from 4.75%, for same period in 2017. The commercial loan portfolio and home equity loan portfolio yields, in particular, rose 39 and 45 basis points, respectively. Total interest expense rose $728 thousand or 52.9% to $2.1 million for the first quarter of 2018, compared with $1.4 million for the first quarter of 2017. The year-over-year increase was primarily due to an increase in average interest bearing deposits of $107.8 million, year over year, as well as an overall increase of 35 basis points in the cost of interest-bearing funds reflective of the overall increase in market rates.

Net interest income increased $950 thousand, or 14.2%, to $7.7 million for the three months ended March 31, 2018, compared to $6.8 million for the three months ended March 31, 2017. The net-interest margin remained strong for the first quarter of 2018 at 3.91%, compared with 3.97% for the first quarter of 2017. The strength in the Bank's net-interest margin reflects the size and asset quality of the loan portfolio, as well as the $13.2 million or 13.9% increase in average non-interest bearing deposits period over period.

Analyses of Interest Rates and Interest Differential

The tables below present the major asset and liability categories on an average daily balance basis for the periods presented, along with interest income, interest expense and key rates and yields on a tax equivalent basis.

(continued)

For the Three Months Ended March 31,	2018			2017		
(dollars in thousands)	Average Balance	Interest Income/ Expense	Yields/ rates	Average Balance	Interest Income/ Expense	Yields/ rates
Assets						
Interest-earning assets						
Due from banks	$ 5,174	$ 18	1.49%	$ 10,728	$ 22	0.87%
Federal funds sold	885	5	2.06%	966	2	0.44%
Investment securities(1)	52,136	304	2.36%	47,512	260	2.22%
Loans held for sale	24,319	240	3.95%	22,966	218	3.80%
Loans held for investment(1)	717,731	9,254	5.20%	609,748	7,641	5.05%
Total loans	742,050	9,494	5.16%	632,714	7,859	5.01%
Total interest-earning assets	800,245	$ 9,821	4.95%	691,920	$ 8,143	4.75%
Noninterest earning assets	38,606			26,166		
Total assets	$ 838,851			$ 718,086		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits	$ 93,353	$ 183	0.80%	$ 71,583	$ 78	0.44%
Money market and savings deposits	221,070	567	1.04%	201,100	405	0.82%
Time deposits	243,317	909	1.52%	177,226	419	0.96%
Total deposits	557,740	1,659	1.21%	449,909	902	0.81%
Short-term borrowings	46,617	210	1.83%	72,750	57	0.31%
Long-term borrowings	8,663	56	2.62%	12,698	180	5.75%
Total Borrowings	55,280	266	1.95%	85,448	237	1.12%
Subordinated Debentures	9,974	179	7.28%	13,376	238	7.22%
Total interest-bearing liabilities	622,994	$ 2,104	1.37%	548,733	$ 1,377	1.02%
Noninterest-bearing deposits	108,367			95,161		
Other noninterest-bearing liabilities	5,859			5,014		
Total liabilities	$ 737,220			$ 648,908		
Total stockholders' equity	101,631			69,178		
Total stockholders' equity and liabilities	$ 838,851			$ 718,086		
Net interest income		$ 7,717			$ 6,766	
Net interest spread			3.58%			3.73%
Net interest margin			3.91%			3.97%

(1) *Yields and net interest income are reflected on a tax-equivalent basis.*

(continued)

Rate/Volume Analysis (tax-equivalent basis)

The rate/volume analysis table below analyzes dollar changes in the components of interest income and interest expense as they relate to the change in balances (volume) and the change in interest rates (rate) of tax-equivalent net interest income for the three months ended March 31, 2018 as compared to the same period in 2017, allocated by rate and volume. Changes in interest income and/or expense attributable to both volume and rate have been allocated proportionately based on the relationship of the absolute dollar amount of the change in each category.

	2018 Versus 2017		
(in thousands)	Change in interest due to:		
	Rate	Volume	Total
Total interest-earning assets:			
Loans	78	1,553	1,631
Securities:			
Taxable	42	25	67
Tax-exempt	(11)	(7)	(18)
Cash and cash equivalents	24	(26)	(2)
Total	133	1,545	1,678
Interest-bearing liabilities:			
Interest checking	76	29	105
Money market accounts	118	44	162
Time deposits	299	191	490
Borrowings	478	(448)	30
Subordinated debt	14	(73)	(59)
Total	985	(257)	728
Net interest income	(852)	1,802	950

(1) *Yields and net interest income are reflected on a tax-equivalent basis.*

The favorable change in net interest income due to volume changes was driven largely from growth in the loan portfolio, which increased $109.3 million on average year over year. This increase contributed $1.6 million to interest income. Total investment securities, cash and cash equivalents were relatively flat, period over period. On the funding side, interest checking and money market accounts together rose $41.7 million on average year over year, reducing net interest income by $73 thousand. Time deposits increased $66.1 million on average year over year, causing increasing interest expense by $191 thousand. Lower levels of borrowings, down $30.2 million on average affected net interest income $448,000 favorably, and lower levels of subordinated debt contributed $73 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 83 and 56 basis points, respectively. Core deposits, such as interest checking and money market accounts, and cost of funds rose 22 and 35 basis points, respectively. These unfavorable rate changes were partially offset by favorable rate changes in interest earning assets. Overall, the increased volume of earning assets, which contributed $1.8 million to interest income, out-paced the unfavorable rate changes and improved net interest income by $950 thousand.

Interest Rate Sensitivity

The Bank actively manages its interest rate sensitivity position. The objectives of interest rate risk management are to control exposure of net interest income to risks associated with interest rate movements and to achieve sustainable growth in net interest income. The Bank's Asset Liability Committee ("ALCO"), using policies and procedures approved by the Bank's Board of Directors, is responsible for the management of the Bank's interest rate sensitivity position. The Bank manages interest rate sensitivity by changing the mix, pricing and re-pricing characteristics of its assets and liabilities, through the

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management of its investment portfolio, its offerings of loan and selected deposit terms and through wholesale funding. Wholesale funding consists of multiple sources including borrowings from the FHLB, the Federal Reserve Bank of Philadelphia's discount window and certificates of deposit from institutional brokers, including the Certificate of Deposit Account Registry Service ("CDARS").

The Bank uses several tools to measure its interest rate risk including interest rate sensitivity analysis, or gap analysis, market value of portfolio equity analysis, interest rate simulations under various rate scenarios and tax-equivalent net interest margin trend reports. The results of these reports are compared to limits established by the Bank's ALCO policies and appropriate adjustments are made if the results are outside the established limits.

The following table demonstrates the annualized result of an interest rate simulation. The simulation assumes rate shifts occur upward and downward on the yield curve in even increments over the first twelve months (ramp). This simulation assumes that there is no growth in interest-earning assets or interest-bearing liabilities over the next 12 months. The changes to net interest income shown below are in compliance with the Bank's policy guidelines.

Summary of Interest Rate Simulation

	Change in Net Interest Income Over the Twelve Months Beginning After March 31, 2018		Change in Net Interest Income Over the Twelve Months Beginning After December 31, 2017	
	Amount	**Percentage**	**Amount**	**Percentage**
+300 basis points	$ 103	0.34%	$ 135	0.48%
+200 basis points	$ 50	0.16%	$ 74	0.26%
+100 basis points	$ 17	0.06%	$ 38	0.13%
-100 basis points	$ (25)	(0.08)%	$ (45)	(0.16)%

The above interest rate simulation suggests that the Bank's balance sheet is fairly neutral as of March 31, 2018, and December 31, 2017. The table indicates that a 100, 200 or 300 basis point increase in interest rates would have a modestly positive impact on net interest income over the next 12 months. The simulated exposure to a change in interest rates is contained, manageable and well within policy guidelines. The results continue to drive our funding strategy of increasing relationship-based accounts (core deposits) and utilizing term deposits to fund short to medium duration assets.

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, these loans 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 to be 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 tables present the interest rate gap analysis of our assets and liabilities as of March 31, 2018 and December 31, 2017.

As of March 31, 2018

(in thousands)		12 Months or Less		1-2 Years		2-5 Years		Greater Than 5 years and Not Rate Sensitive		Total
Cash and investments	$	34,124	$	10,509	$	12,547	$	19,156	$	76,336
Loans, net (1)		236,768		104,687		206,762		223,050		771,266
Other Assets		-		-		-		35,919		35,919
Total Assets		270,892		115,196		219,309		278,125		883,521
Liabilities and Equity:										
Noninterest-bearing deposits		14,743		7,618		10,435		72,780		105,576
Interest-bearing deposits		25,355		21,041		40,886		232,913		323,195
Time deposits		213,440		32,097		4,995		-		250,532
FHLB advances		79,566		1,800		5,000		9,308		95,674
Other Liabilities		-		-		-		6,184		6,184
Total stockholders' equity		-		-		-		102,360		102,360
Total liabilities and stockholders' equity	$	336,104	$	62,556	$	61,316	$	423,545	$	883,521
Repricing gap-positive (Negative) Positive		(65,212)		52,640		157,993		(145,421)		-
Cumulative repricing gap: Dollar amount	$	(65,212)	$	(12,572)	$	145,421	$	-		
Percent of total assets		(7.38)%		(1.42)%		16,46%				

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		-		-		-		31,188		31,188
Total Assets		447,148		83,104		211,259		114,524		856,035
Liabilities and Equity:										
Noninterest-bearing deposits		11,414		10,116		23,960		54,964		100,454
Interest-bearing deposits		253,664		27,291		27,292		-		308,247
Time deposits		159,808		52,830		5,770		-		218,408
FHLB advances		99,750		1,800		7,063		13,308		121,921
Other Liabilities		-		-		-		5,642		5,624
Total stockholders' equity		-		-		-		101,363		101,363
Total liabilities and stockholders' equity	$	524,636	$	92,037	$	64,085	$	175,277	$	856,035
Repricing gap-positive (Negative) Positive		(77,488)		8,933		147,175		(60,753)		-
Cumulative repricing gap: Dollar amount	$	(77,488)	$	(86,421)	$	60,753	$	-		
Percent of total assets		(9.05)%		(10.10)%		6.88%				

[1] *Loans include portfolio loans and loans held for sale*

(continued)

Under the repricing gap analysis for both periods, we are liability-sensitive in the short-term mainly due to recent loan growth which has out-paced our core deposit growth. In addition, customer preference has been for short-term or liquid deposits. We generally manage our interest rate risk profile close to neutral, using a strategy that is focused on increasing our concentration of relationship-based transaction accounts through efforts of our business developers and new branches. 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. 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. 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. 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.

PROVISION FOR LOAN AND LEASE LOSSES

For the three months ended March 31, 2018, the Bank recorded a Provision of $554 thousand which was a $395 thousand increase from the same period in 2017. Net charge-offs for the three months ended March 31, 2018 were $125 thousand as compared to $125 thousand of net recoveries for the same period in 2017. The increased provision for the period relates to the significant level of loan growth in the current quarter.

Asset Quality and Analysis of Credit Risk

As of March 31, 2018, total nonperforming loans and leases decreased by $196 thousand, to $2.9 million, representing 0.38% of loans and leases held-for-investment, compared to $3.2 million, or 0.42% of loans and leases held-for-investment, as of December 31, 2017. The decrease to nonperforming loans resulted from the pay-downs in the commercial and industrial portfolio as well as in the home equity portfolio.

As of March 31, 2018 and December 31, 2017 the Allowance represented 0.96% of loans and leases held-for-investment,. The Allowance to non-performing loans increased from 212.51% as of December 31, 2017 to 241.97% as of March 31, 2018.

As of March 31, 2018, the Bank had OREO valued at $427 thousand, as compared to $437 as of December 31, 2017. The balance of OREO as of March 31, 2018 was comprised of one foreclosure, which consists of two properties. All properties are recorded at the lower of cost or fair value less cost to sell.

As of March 31, 2018, the Bank had $2.6 million of troubled debt restructurings (“TDRs”), of which $1.8 million were in compliance with the modified terms and excluded from non-performing loans and leases. As of December 31, 2017, the Bank had $2.6 million of TDRs, of which $1.9 million were in compliance with the modified terms, and were excluded from non-performing loans and leases. As of March 31, 2018, the Bank had a recorded investment of $5.4 million of impaired loans and leases which included $2.6 million of TDRs.

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.

Nonperforming Assets and Related Ratios

(dollars in thousands)	As of March 31, 2018			December 31, 2017
Non-performing assets:				
Nonaccrual loans:				
Real estate loans:				
Commercial mortgage	$	414	$	$ 414
Commercial land development		-		-
Home equity lines and loans		71		137
Residential mortgage		1,082		1,084
Commercial construction		185		185
Total real estate loans	$	1,752	$	1,820
Commercial and industrial		1,198		1,326
Total nonaccrual loans	$	2,950	$	3,146
Loans and leases 90 days or more past due and accruing		-		11
Other real estate owned		427		437
Total non-performing loans	$	2,950		3,157
Total non-performing assets	$	3,377	$	3,594
Troubled debt restructurings:				
TDRs included in non-performing loans		723		741
TDRs in compliance with modified terms		1,829		1,900
Total TDRs	$	2,552	$	2,641
Asset quality ratios:				
Non-performing assets to total assets		0.38%		0.42%
Non-performing loans to:				
Total loans		0.38%		0.43%
Total loans held-for-investment		0.40%		0.45%
Allowance for loan losses to:				
Total loans		0.93%		0.92%
Total loans held-for-investment		0.96%		0.96%
Non-performing loans		241.97%		212.51%
Total loans and leases	$	771,266	$	729,661
Total loans and leases held-for-investment	$	740,408	$	694,637
Allowance for loan and lease losses	$	7,138	$	6,709

NONINTEREST INCOME

Three Months Ended March 31, 2018 Compared to the Same Period in 2017

Total non-interest income for the first quarter of 2018 was $7.1 million, up $54 thousand, or 0.8%, from the first quarter of 2017. The overall increase in non-interest income came primarily from our mortgage and wealth management divisions. Wealth management revenue increased $975 thousand to $1.1 million for the three months ended March 31, 2018 compared to $103 thousand for the same period in 2017, due to the acquisition in our Wealth Division in April of 2017. Mortgage banking income decreased $1.2 million, or 20.5%, from $6.1 million for the three months ended March 31, 2017 to $4.8 million for three months ended March 31, 2018. This decrease was due to lower levels of loans sold, which was $136.3 million for the three months ended March 31, 2018, compared to $156.4 million for the same period in 2017. This was partially offset by an increase in the margin of 13 basis points.

(continued)

NONINTEREST EXPENSE

Three Months Ended March 31, 2018 Compared to the Same Period in 2017

Non-interest expense was $12.6 million for the first quarter of 2018, down $898 thousand, or 6.2%, from $13.5 million in the first quarter of 2017. The decrease is mainly attributable to a reduction in salaries and employee benefits expense, which decreased $1.2 million or 12.3%, as full-time equivalent employees, particularly in the mortgage division were reduced. In addition, loan expenses decreased $240 thousand, or 31.1%, reflecting the lower level of mortgage originations. Occupancy and equipment expenses increased $82 thousand or 9.3% and advertising and promotion increased $159 thousand or 37.7%, respectively, were up due primarily to the new business locations. Professional fees increased $112 thousand, or 30.5%, due to increased legal and accounting fees related to public filings. Other expenses were up period over period by $139 thousand or 12.1%. The increase was primarily as the result of higher levels of communication, software and other employee-related expenses which amounted to an additional $83 thousand combined year over year, as well as $68 thousand of amortization of intangibles related to the acquisition in our Wealth Division.

INCOME TAXES

Income tax expense for the three months ended March 31, 2018 was $362 thousand, as compared to $8 thousand for the same period in 2017. The increase in income tax expense was entirely attributable to the significant increase in earnings, period over period, slightly offset by the change in the federal corporate income tax rate. The statutory tax rate was 35.0% for the first quarter of 2017 and 21.0% for the first quarter of 2018 due to the enactment of the Tax Cuts and Jobs Act effective January 1, 2018.

BALANCE SHEET ANALYSIS

As of March 31, 2018, total assets were $883.5 million compared with $856.0 million as of December 31, 2017. Total assets increased $27.5 million, or 3.2%, on a quarter-over-quarter basis mostly due to net new loans of $45.8 million, partially offset by lower levels of cash and the seasonal pay down of the held-for-sale mortgage portfolio.

Total loans, excluding mortgage loans held for sale, grew $45.8 million, or 6.6%, to $740.4 million as of March 31, 2018, from $694.6 million as of December 31, 2017. The increase in loans for this period is attributable to several commercial categories as the Bank continues to grow its presence in the Philadelphia market area. Commercial loans increased $15.8 million, or 7.5%, during the quarter. Commercial real estate and commercial construction loans combined increased $16.2 million, or 14.9%, in the first quarter. Residential loans held in portfolio increased $4.6 million, or 14.0%, in the first quarter as certain loan products or terms were targeted to hold in portfolio. The residential mortgage loans-for-sale portfolio was $30.9 million and $35.0 million as of March 31, 2018, and December 31, 2017respectively, reflecting the seasonality of the cycle.

Deposits were $679.3 million as of March 31, 2018, up $52.2 million, or 8.3%, from the prior quarter. Non-interest bearing deposits increased $5.1 million, or 5.1%, from December 31, 2017. New business relationships fueled the increases. Money market accounts/savings accounts decreased $13.1 million, or 5.8%, since December 31, 2017 while interest-bearing checking accounts increased $28.0 million, or 34.3%, during the quarter, reflecting the customer's preference for checking accounts over money market accounts. Certificates of deposit increased $32.1 million, or 14.7%, during the quarter and $81.0 million, or 47.8%, year over year as a result of wholesale funds management in the rising rate environment.

Capital

Consolidated shareholder's equity of the Bank was $102.4 million, or 11.6% of total assets as of March 31, 2018, as compared to $101.4 million, or 11.8% of total assets as of December 31, 2017. The following table presents the Bank's capital ratios and the minimum capital requirements to be considered "well capitalized" by regulators as of March 31, 2018 and December 31, 2017:

(continued)

(dollars in thousands)	March 31, 2018					
	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)	$ 114,047	14.46%	$ 63,102	8.00%	$ 78,877	10.00%
Common equity tier 1 capital (to risk-weighted assets)	102,940	12.36%	35,495	4.50%	51,270	6.50%
Tier 1 capital (to risk-weighted assets)	97,498	12.36%	47,326	6.00%	63,102	8.00%
Tier 1 capital (to average assets)	97,498	11.69%	33,587	4.00%	41,984	5.00%

(dollars in thousands)	December 31, 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%

* Excludes capital conservation buffer of 1.25% for 2017 and 1.875% for 2018.

The capital ratios for the Bank, as of March 31, 2018, as shown in the above tables, indicate levels above the regulatory minimum to be considered “well capitalized.” The capital ratios to risk-weighted assets have all decreased from their December 31, 2017 levels largely as a result of the increase in risk-weighted assets, much of which was in the commercial mortgage, construction, and commercial and industrial segments of the loan portfolio, which are typically risk-weighted at 100%.

Liquidity

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, amd 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 $131.5 million at March 31, 2018, compared to $125.9 million at December 31, 2017, includes investments, shared national credit portfolio (“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 its relationship at the Federal Reserve, Meridian had available credit of approximately

(continued)

$11.7 million at March 31, 2018. 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 March 31, 2018, Meridian's maximum borrowing capacity with the FHLB was $373.5 million. At March 31, 2018, Meridian had borrowed $84.5 million and the FHLB had issued letters of credit, on Meridian's behalf, totaling $51.6 million against its available credit lines. At March 31, 2018, Meridian also had available $30.0 million of unsecured federal funds lines of credit with other financial institutions as well as $88.3 million of available short or long term funding through the Certificate of Deposit Account Registry Service ("CDARS") program and $58.9 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.

Discussion of Segments

As of March 31, 2018, the Bank has three principal segments as defined by FASB ASC 280, "*Segment Reporting.*" The segments are Banking, Mortgage Banking and Wealth Management (see Note 10 in the accompanying Notes to Unaudited Consolidated Financial Statements).

The Banking Segment recorded net income before tax ("operating margin") of $1.4 million for the three months ended March 31, 2018, as well as for the same period in 2017. The Banking Segment provided 86.3% of the Bank's pre-tax profit for the three-month period ended March 31, 2018, and was nearly completely offset by the mortgage division loss for the same respective period in 2017.

The Wealth Management Segment recorded operating margin of $363 thousand for the three months ended March 31, 2018, which amounted to 22.2% of the Bank's pre-tax profit. 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 included in the Banking Segment. As such, the division was not a reportable segment in the first quarter of 2017 but has been disclosed as a separate segment for 2018 presentation.

The Mortgage Banking Segment recorded an operating loss of $140 thousand for the three months ended March 31, 2018, as compared to an operating loss of $1.3 million for the same period in 2017. Mortgage Banking income and expenses decreased as origination volume declines seasonally.

Off Balance Sheet Risk

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 standby letters of credit.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the loan agreement. Total commitments to extend credit at March 31, 2018 were $236.6 million, as compared to $220.2 million at December 31, 2017.

Standby letters of credit are conditional commitments issued by the Bank to a customer for a third party. Such standby letters of credit are issued to support private borrowing arrangements. The credit risk involved in issuing standby letters of credit is similar to that involved in granting loan facilities to customers. The Bank's obligation under standby letters of credit at March 31, 2018 amounted to $2.0 million, as compared to $1.8 million at December 31, 2017.

Estimated fair values of the Corporation's off-balance sheet instruments are based on fees and rates currently charged to enter into similar loan agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. Since fees and rates charged for off-balance sheet items are at market levels when set, there is no material difference between the stated amount and the estimated fair value of off-balance sheet instruments.

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 of

(continued)

$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.

See also "Part II, Item 1. Legal Proceedings" below for information regarding a lawsuit filed in November 2017 against the Bank.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

See the discussion of quantitative and qualitative disclosures about market risks in "Management's Discussion and Analysis of Results of Operations – Interest Rate Summary," "– Interest Rate Sensitivity," and "Gap Analysis" in this Quarterly Report on Form 10-Q.

Item 4. 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 March 31, 2018. 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 March 31, 2018 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 quarter ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.

PART II–OTHER INFORMATION

Item 1. Legal Proceedings.

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. Although the Bank believes it has strong and meritorious defenses, 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 1A. Risk Factors.

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits filed or incorporated by reference as part of this report are listed in the Exhibit Index, which appears at page 63.

(continued)

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: May 15, 2018

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

By: /s/ Denise Lindsay
Denise Lindsay
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

(continued)

EXHIBIT INDEX

Exhibit Number	Description
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

(continued)

Exhibit 31.1

RULE 13a -14(a) CERTIFICATION
OF THE PRINCIPAL EXECUTIVE OFFICER

I, Christopher J. Annas, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 15, 2018

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

(continued)

Exhibit 31.2

RULE 13a-14(a) CERTIFICATION
OF THE PRINCIPAL FINANCIAL OFFICER

I, Denise Lindsay, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 15, 2018

/s/ Denise Lindsay
Denise Lindsay
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

(continued)

Exhibit 32

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report of Meridian Bank on Form 10-Q for the period ended March 31, 2018 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: May 15, 2018

(continued)