As filed with the Federal Deposit Insurance Corporation on September 29, 2017

FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20006

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934

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)

Registrant's telephone number, including area code (866) 327-9199

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

Title of each class to be so registered	Name of each exchange on which each class is to be registered
Common Stock, $1.00 par value per share	**NASDAQ Global Select Market**

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☒

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 7(a)(2)(B) of the Securities Act. ☐

INFORMATION REQUIRED IN REGISTRATION STATEMENT
CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT AND ITEMS OF FORM 10

Certain information required to be included herein is incorporated by reference to specifically identified portions of the body of the offering circular filed herewith as Exhibit 99.1. None of the information contained in the offering circular shall be incorporated by reference herein or deemed to be a part hereof unless such information is specifically incorporated by reference.

Item 1. Business.

The information required by this item is contained under the sections of the offering circular entitled "Offering Circular Summary" and "Business." Those sections are incorporated herein by reference.

Item 1A. Risk Factors.

The information required by this item is contained under the section of the offering circular entitled "Risk Factors." That section is incorporated herein by reference.

Item 2. Financial Information.

The information required by this item is contained under the sections of the offering circular entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosure About Market Risk." Those sections are incorporated herein by reference.

Item 3. Properties.

The information required by this item is contained under the sections of the offering circular entitled "Offering Circular Summary—Market Area" and "Business—Market Area." Those sections are incorporated herein by reference.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item is contained under the section of the offering circular entitled "Principal Shareholders." That section is incorporated herein by reference.

Item 5. Directors and Executive Officers.

The information required by this item is contained under the section of the offering circular entitled "Management." That section is incorporated herein by reference.

Item 6. Executive Compensation.

The information required by this item is contained under the section of the offering circular entitled "Executive and Director Compensation." That section is incorporated herein by reference.

Item 7. Certain Relationships and Related Person Transaction, and Director Independence.

The information required by this item is contained under the sections of the offering circular entitled "Management—Director Independence" and "Certain Relationships and Related Transactions." Those sections are incorporated herein by reference.

Item 8. Legal Proceedings.

The information required by this item is contained under the section of the offering circular entitled "Business—Legal and Regulatory Proceedings." That section is incorporated herein by reference.

Item 9. Market Price of, and Dividends on, the Registrant's Common Equity and Related Stockholder Matters.

The information required by this item is contained under the sections of the offering circular entitled "Description of Capital Stock," "Dividend Policy and Dividends," "Supervision and Regulation—Dividends," and "Comparison of Shareholders' Rights." Those sections are incorporated herein by reference.

Item 10. Recent Sales of Unregistered Securities.

None.

Item 11. Description of Registrant's Securities to be Registered.

The information required by this item is contained under the section of the offering circular entitled "Description of Capital Stock." That section is incorporated herein by reference.

Item 12. Indemnification of Directors and Officers.

The information required by this item is contained under the section of the offering circular entitled "Description of Capital Stock—Indemnification and Limitation of Liability." That section is incorporated herein by reference.

Item 13. Financial Statements and Supplementary Data.

The information required by this item is contained under the sections of the offering circular entitled "Index to Consolidated Financial Statements" (and the financial statements referenced therein and attached thereto) and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Those sections are incorporated herein by reference.

Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 15. Financial Statements and Exhibits.

(a) Financial Statements

The information required by this item is contained under the section of the offering circular entitled "Index to Consolidated Financial Statements" (and the financial statements referenced therein and attached thereto). That section is incorporated herein by reference.

(b) Exhibits

The following documents are filed as exhibits hereto:

Exhibit Number	Exhibit Description
2.1	Plan of Merger and Reorganization.
3.1	Amended and Restated Articles of Incorporation of Meridian Bank.
3.2	Amended and Restated Bylaws of Meridian Bank.
10.1	2016 Equity Incentive Plan.
10.2	Form of Employment Agreement by and between Meridian Bank and Christopher Annas.

10.3	Supplemental Executive Retirement Deferred Compensation Plan.
10.4	Employee Stock Ownership Plan.
10.5	Asset Purchase Agreement by and between Meridian Bank, HJ Wealth Management, LLC, Jay Heller and Brian Kohute dated January 18, 2017.*
21.1	Subsidiaries of Meridian Bank.
23.1	Consent of KPMG.
99.1	Draft of Preliminary Offering Circular, dated as of September 29, 2017.

* To be filed by amendment.

Signatures

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

MERIDIAN BANK

Date:	September 29, 2017	By:	/s/ Denise Lindsay
		Name:	Denise Lindsay
		Title:	Chief Financial Officer

Exhibit Index

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* To be filed by amendment.

<u>EXHIBIT A</u>

PLAN OF MERGER AND REORGANIZATION

Date: __________, 2017

MERIDIAN BANK (the "Bank"), a banking institution organized under the Pennsylvania Banking Code of 1965, as amended (the "Banking Code"), and MERIDIAN INTERIM BANK (the "Surviving Bank"), an interim bank in organization under the Banking Code, and MERIDIAN CORPORATION (the "Holding Company"), a Pennsylvania business corporation organized under the Pennsylvania Business Corporation Law of 1988, as amended, hereby enter into this Plan of Merger and Reorganization (the "Plan").

In consideration of their mutual promises and covenants, and intending to be legally bound hereby, the parties hereto, deeming it to be advantageous to their respective banking associations, corporation and their shareholders, have duly approved this Plan and its execution, and do hereby adopt this Plan setting forth the method, terms and conditions of the merger, including the rights under the Plan of the shareholders of each of the parties, and the agreements concerning the merger:

1. <u>Merger</u>. The Bank shall merge into the Surviving Bank under the charter of the Surviving Bank, under the title of "Meridian Bank", and pursuant to the provisions of the Banking Code, by the method, on the terms and subject to the conditions and requirements hereinafter stated. Upon the merger becoming effective, Bank and Surviving Bank shall be merged into and continued in a single institution, the Surviving Bank, which shall be a Pennsylvania chartered bank and which shall be considered the same business and corporate entity as the constituent institutions. The Surviving Bank shall thenceforth be responsible for all of the liabilities and obligations of the Bank.. The Surviving Bank shall, upon consummation of the merger, engage in the business of a Pennsylvania chartered bank at the principal office and the legally established and approved branch offices of the Bank. Surviving Bank shall maintain the insurance of the Federal Deposit Insurance Corporation in the same way as it is now carried by the Bank

2. <u>Articles of Incorporation of Surviving Bank</u>. When the merger becomes effective, the initial Articles of Incorporation of the Surviving Bank shall be substantially in the form attached hereto as <u>Exhibit A</u> attached hereto and incorporated herein.

3. <u>Bylaws of Surviving Bank</u>. When the merger becomes effective, the initial Bylaws of the Surviving Bank shall be substantially in the form attached hereto as <u>Exhibit B</u> attached hereto and incorporated herein, and the principal office and established and authorized branch offices of the Bank shall become the principal office and established and authorized branch offices, respectively, of the Surviving Bank.

4. <u>Board of Directors of Surviving Bank</u>. The persons who shall constitute the Board of Directors of the Surviving Bank at the time the merger becomes effective shall be the persons who were then members of the Board of Directors of the Bank. They shall serve until the subsequent annual meeting of shareholders of Surviving Bank or until their successors are duly qualified and elected. Any vacancy in the Board of Directors of the Surviving Bank which may

exist upon or after the effective date of the merger may be filled as provided by the Articles of Incorporation and Bylaws of the Surviving Bank. The officers of the Bank at the time the merger becomes effective shall hold the same offices in the Surviving Bank.

5. Conversion of Shares: Exchange of Certificates: Capitalization. Upon the merger becoming effective:

(a) Each issued and outstanding share of common stock of the Bank represented by an outstanding stock certificate shall, ipso facto, and without any action on the part of the holder thereof, become and be converted into one (1) share of common stock of the Holding Company, par value $1.00 per share. As soon as practicable after the merger becomes effective, holders of shares of Bank common stock shall be furnished a form letter of transmittal for the tender of their shares to the Surviving Bank, which shall act as "Exchange Agent" for the Holding Company, to be exchanged for new certificates for the appropriate number of shares of Holding Company common stock. Holding Company shall be required to issue certificates for Holding Company common stock only upon the actual surrender of Bank shares and may require an indemnity agreement or bond from any Bank shareholder who is unable to surrender his or her certificate by reason of loss or destruction of the certificate. Upon surrender for cancellation to the Exchange Agent of one or more certificates for shares of Bank common stock, accompanied by a duly executed letter of transmittal in proper form, the Exchange Agent shall, promptly after the effective date of the merger, deliver to each holder of such surrendered Bank certificates new certificates representing the appropriate number of shares of Holding Company common stock. Until certificates for Bank common stock have been surrendered and exchanged as herein provided for certificates of Holding Company common stock, each outstanding certificate for Bank common stock shall be deemed, for all corporate purposes of the Holding Company, to be the number of full shares of Holding Company common stock into which the number of shares of Bank common stock shown thereon have been converted. In the event that any certificates for Bank common stock are not surrendered for exchange within two (2) years from the effective date of the merger, the shares of Holding Company common stock that would otherwise have been delivered in exchange for the unsurrendered Bank certificates shall be delivered by the Exchange Agent to the Holding Company, in which event the persons entitled thereto shall look only to the Holding Company for delivery of the Holding Company shares upon surrender of their outstanding certificates for Bank common stock. Following the expiration of such two (2) year period, the Holding Company may sell such unclaimed Holding Company common stock, in which event the sole right of the holders of the unsurrendered outstanding Bank certificates shall be the right to collect the net sale proceeds held for their account by the Holding Company. In the event that Holding Company shall, as required or permitted by law, pay to the Commonwealth of Pennsylvania any net sale proceeds relating to unclaimed Holding Company common stock, the holders of unsurrendered outstanding Bank certificates shall thereafter look only to the Commonwealth of Pennsylvania for payment on account thereof.

(b) Prior to the merger becoming effective, the Surviving Bank will have a capital of $100,000 consisting of 100,000 issued and outstanding shares of common stock, par value $1.00 per share, and a surplus of $55,000. Upon the merger becoming effective: (i) the amount and number of issued and outstanding shares of common stock of the Surviving Bank shall be increased to an amount equal to the total, immediately before the merger, of (A) the issued and outstanding shares of common stock of the Bank, now being [_____] shares, and (B) the issued and outstanding shares of common stock of the Surviving Bank; (ii) the surplus of the Surviving Bank shall be increased to an amount equal to the total of the surplus of the Bank and the surplus of the Surviving Bank immediately before the merger; and (iii) all of the issued and outstanding shares of the Surviving Bank, as increased by the number of issued and outstanding shares of the Bank, shall be issued to and owned by the Holding Company.

(c) No cash shall be allocated to shareholders of the Bank or to any other person, firm, or corporation upon and by reason of the merger becoming effective. Cash fees will, however, be paid to attorneys, accountants and other like persons for services rendered in the accomplishment of the merger and reorganization and other phases of the overall transaction; some of these persons may be stockholders of the Bank and of Holding Company.

(d) The shares of the Holding Company, subscribed for by the individual incorporators of the Holding Company, shall be purchased by them by the payment of each individual incorporator's own cash to the Holding Company. Upon consummation of the merger, each individual incorporator of the Holding Company shall sell all of his said stock subscribed for by him as an incorporator in the Holding Company to the Holding Company for cash.

(e) Each then outstanding option to acquire a share of the common stock of the Bank issued under the Meridian Bank 2004 Stock Option Plan shall, ipso facto, and without any action on the part of the holder thereof, become and be converted into an option to acquire a share of the Holding Company on the same terms and conditions and shall remain outstanding. After the merger becomes effective the Holding Company may issue amended grant or award agreements reflecting the conversion and the assumption of the Plan as provided in Section 12 below.

(f) Each share of the Bank's Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series 2009A, liquidation preference $10,000 per share, shall be exchanged for one share of the Holding Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series 2009A, liquidation preference $10,000 per share, each share of the Bank's Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series 2009B, liquidation preference $10,000 per share, shall be exchanged for one share of the Holding Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series 2009B, liquidation preference $10,000 per share, each share of the Bank's Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series 2009C, liquidation preference $10,000 per share, shall be exchanged for one share of the Holding Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series 2009C, liquidation preference $10,000 per share.

6. Dissenting Shareholders. The rights and remedies of a dissenting shareholder under Subchapter D of Chapter 15 of the Pennsylvania Business Corporation Law of 1988, as amended (15 Pa. C.S. §1571 et seq.) shall be afforded to any shareholder of the Bank who takes the necessary steps to perfect his or her dissenters rights. The Bank will make whatever payments are to be made to validly dissenting shareholders in the exercise of such rights. Unless otherwise provided by law, shares of the Holding Company not taken by the dissenting shareholders of the Bank shall not be issued.

7. Conditions. The merger provided under this Plan shall take place only if: (i) this Plan is approved (A) by the affirmative vote of at least two-thirds (2/3) of the outstanding shares of common stock of the Bank and (B) by the Holding Company as a shareholder of the Surviving Bank, in accordance with applicable law; (ii) this Plan and the merger are approved by the Pennsylvania Department of Banking and Securities and the Federal Deposit Insurance Corporation and the Notice or Application, as applicable, of the Holding Company to form a bank holding company is not objected to, or is otherwise approved, by the Board of Governors of the Federal Reserve System and all other requirements prescribed by law are satisfied; (iii) the Bank receives an opinion of its special counsel, Stradley Ronon Stevens & Young, LLP, to the effect that the transactions contemplated herein constitute a tax-free reorganization under the Internal Revenue Code of 1986, as amended, and that neither gain nor loss will be recognized for federal income tax purposes to the Bank, the Surviving Bank, the Holding Company or the shareholders (other than the dissenting shareholders who elect dissenters' rights) of the Bank, the Surviving Bank and the Holding Company, by reason of the transactions contemplated herein, and as to such further matters relating to the tax consequences of the transactions contemplated hereby, as the Bank may deem advisable; and (iv) there shall be no litigation or proceeding pending or threatened for the purpose of enjoining, restraining or preventing the consummation of the merger in accordance with this Plan.

8. Amendment; Termination. At any time before the merger becomes effective, by vote of a majority of the Board of Directors of each of the Bank, the Holding Company and the Surviving Bank, this Plan (a) may be amended in any manner not inconsistent with its general purpose, provided that no amendment shall change the share exchange ratio following approval of this Plan by the shareholders of the Bank, or (b) may be terminated for any reason, including without limitation for reasons such as because of the number of shares of common stock of the Bank exercising dissenters' rights, or if it shall appear that the consummation of the Plan would be inadvisable. If this Plan is terminated pursuant to this Section, this Plan shall be void and of no further effect, without any liability on the part of any of the parties hereto, or their respective directors, officers, shareholders or agents.

9. Shares of Incorporators. The incorporator(s) of the Holding Company shall each subscribe to and purchase one (1) share of $1.00 par value per share common stock of said corporation for a subscription price equal to the aggregate par value of the share(s) subscribed for by the incorporator(s). Upon consummation of the merger, each such incorporator shall sell his or her Holding Company share(s) to the Holding Company for a purchase price equal to the original subscription price.

10. Financing of Initial Capitalization. In order to provide funds with which the Holding Company can purchase shares of common stock of the Surviving Bank for $155,000 (which Surviving Bank shall allocate as follows: Capital - $100,000; Surplus - $55,000), the Holding Company will make a temporary borrowing from another bank. After consummation of the merger the Surviving Bank will pay a special cash dividend to the Holding Company which will enable the Holding Company to repay the principal amount of said loan in full plus interest.

11. Issuance of Shares. When required by the terms of this Plan, the Holding Company will issue the shares of its common stock which the shareholders of the Bank shall be entitled to receive as hereinabove provided, and will perform all other acts necessary for it to comply with the provisions of this Plan.

12. Assumption and Amendment of Stock Option Plan. Upon the merger becoming effective, without any further action being required:

(a) the Holding Company shall assume the Meridian Bank 2004 Stock Option Plan (the "Option Plan");

(b) all then outstanding options granted under the Option Plan shall be converted as provided in Section 5 above; and

(c) the Option Plan shall be deemed amended and restated: (i) to substitute the Holding Company and the common stock of the Holding Company for the Bank and the common stock of the Bank; (ii) to provide that eligible Participants under the Option Plan shall be officers and other employees, and non-employee directors, of the Holding Company and any . current or future subsidiary of the Holding Company, including the Bank; and (iii) to provide that employment by, or serving as a Non-Employee Director of, the Holding Company or any current or future subsidiary of the Holding Company, including the Bank, shall constitute employment by or service with the Holding Company for purposes of the Option Plan. The maximum number of shares of common stock that have been or may be issued or transferred under the Plan shall be [_____________] and the maximum aggregate number of shares of common stock that shall be subject to options or awards under the Option Plan to any single individual shall remain unchanged at [__________], subject to the adjustment provisions of the Option Plan.. Approval of this Plan of Merger and Reorganization shall constitute approval of the Option Plan as so amended by the directors and shareholders of the Bank and Holding Company for all purposes, including, without limitation, for purposes of Sections 162(m) and 422 of Internal Revenue Code of 1986, as amended, and Section 16(b) of the Securities Exchange Act of 1934, as amended, and the exemptive rules promulgated thereunder.

13. Board of Directors of Holding Company. The persons who shall constitute the Board of Directors of the Holding Company at the time the merger becomes effective shall be the persons who were then members of the Board of Directors of the Bank. The Board of Directors of the Holding Company shall be divided into classes identical in all respects to those currently in effect with respect to the Board of Directors of the Bank, and each person shall be designated to the class in which he or she served prior to the merger becoming effective, and shall serve until the subsequent annual meeting of shareholders of the Holding Company or until their successors are duly qualified and elected. Any vacancy in the Board of Directors of the Holding Company which may exist upon or after the effective date of the merger may be filled as provided by the Articles of Incorporation and Bylaws of the Holding Company.

14. Affiliates; Agreements Relating to Resales of Holding Company Securities. The Bank shall prepare and deliver to Holding Company, prior to completion of the merger, a list that identifies all persons whom the Bank believes may be deemed to be “affiliates” of Bank or

Holding Company under applicable securities laws. The Bank is shall use its commercially reasonable best efforts to cause each person whom it identifies on the list as a potential affiliate to deliver, at or prior to the completion of the transaction, a written agreement that the affiliate will not sell, pledge, transfer or otherwise dispose of any Holding Company shares issued to the affiliate pursuant to the transaction unless the sale, pledge, transfer or other disposition meets one of the following criteria: (1) it is made pursuant to an effective registration statement filed under the Securities Act; (2) it is in compliance with Rule 144; or (3) in the opinion of counsel, it is otherwise exempt from the registration requirements of the Securities Act.

15. Waiver. Any of the terms or conditions of this Plan may be waived in writing at any time by the Bank by action taken by its Board of Directors, whether before or after action by the Bank's shareholders, provided, however, that such action shall be taken only if, in the judgment of the Board of Directors, such waiver will not have a materially adverse effect on the benefits intended to be granted hereunder to the shareholders of the Bank.

16. Governing Law. This Plan shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, except as such may be pre-empted by federal law.

17. Entire Agreement. This Plan contains the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

18. Counterparts. This Plan may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

[signature page follows]

IN WITNESS WHEREOF, each of the parties hereto has caused this instrument to be executed by its Chief Executive Officer and its seal affixed, attested by its Secretary, all under authority of its Board of Directors.

Attest: [Corporate Seal]	MERIDIAN BANK
______________________________	By: ______________________________
Erica Burns Secretary	Christopher J. Annas President & CEO
Attest: [Corporate Seal]	MERIDIAN INTERIM BANK
______________________________	
Erica Burns Secretary	By: ______________________________ Christopher J. Annas President & CEO
Attest: [Corporate Seal]	MERIDIAN CORPORATION
______________________________	By: ______________________________
Erica Burns Secretary	Christopher J. Annas President & CEO

ARTICLES OF AMENDMENT

MERIDIAN BANK
BERWYN, CHESTER, PA

Commonwealth of Pennsylvania
Department of Banking

Pursuant to the provisions of Chapter 15 of the Banking Code of 1965 (Act No. 356 of 1965, as amended), MERIDIAN BANK, desiring to amend its Articles of Incorporation hereby states that:

Article I. The name of the Institution is: Meridian Bank.

Article II. The location and post office address of its principal place of business is: 1436 Lancaster Avenue, Berwyn, Pennsylvania 19312.

Article III. The Institution was incorporated on March 16, 2004, under the provisions of the Banking Code of 1965, as amended.

Article IV. The Amendment to the Articles of Incorporation hereinafter set forth was adopted pursuant to a Resolution of the shareholders of the Institution at a meeting of shareholders duly held on June 21, 2007, at which a quorum was present. Advance notice of the meeting of shareholders was given in accordance with law (7 P.S. Section 1503) and the bylaws of the Institution on May 21, 2007.

Article V. The number of shares entitled to vote on the Resolution to Amend the Articles of Incorporation was 1,851,653 shares of the issued and outstanding Common Stock of the Institution.

Article VI. 1,305,871 shares of Common Stock entitled to vote for the Resolution to Amend the Articles of Incorporation voted in favor of the Resolution to Amend the Articles of Incorporation, which constitutes a majority of the shares outstanding.

Article VII. In the Resolution adopted by the shareholders of the Institution, the proposed amendment is set forth as follows:

RESOLVED, that Article I of the Articles of Incorporation of Meridian Bank (the "Institution") be amended and restated in its entirety to read as follows:

ARTICLE I
Name and Place of Business

Section 1 The name of the institution is Meridian Bank (the "Bank").

Section 2 The location and post office address of the principal place of business of the bank shall be at 92 Lancaster Avenue, Devon, Pennsylvania 19333.

Article VIII. The Articles of Incorporation, amended and restated to give effect to the Amendment set forth herein, are as follows:

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
MERIDIAN BANK

ARTICLE I
Name and Place of Business

Section 1 The name of the institution is Meridian Bank (the "Bank").

Section 2 The location and post office address of the principal place of business of the bank shall be at 92 Lancaster Avenue, Devon, Pennsylvania 19333.

ARTICLE II
Purpose, Term and Powers

Section 1 The institution is incorporated for the purpose of receiving deposits, making loans and generally transacting all business permitted to a bank, as defined in the Banking code of 1965, as amended, and under any present or future laws of the Commonwealth of Pennsylvania.

Section 2 The Bank is to have perpetual existence.

Section 3 The institution is incorporated under the provisions of the Banking Code of 1965, as amended.

ARTICLE III
Capitalization

Section 1 The total number of shares of all stock which the Bank shall have authority to issue is (1) 10,000,000 shares of common stock ("Common Stock"), with a par value of one dollar ($1.00) per share; and (2) 5,000,000 shares of preferred stock with no stated par value.

Section 2 Shares of Common Stock or any security giving its holders the right to exercise or convert such security into Common Stock, may be issued from time to time as the Board of Directors of the Bank shall determine and on such terms and for such consideration as allowed by law and as fixed by the Board of Directors.

Section 3 No shareholder of any class or of any series of class shall have the preemptive right to purchase, pro rata or otherwise, additional shares of Common Stock, or any other security of the Bank. The Board of Directors, in its sole discretion, has authority to sell any treasury stock and/or unissued securities, options, warrants, or other rights to purchase any security of the Bank, upon such terms as it deems advisable.

ARTICLE IV
Ownership Limitation

Section 1 Except as otherwise provided in this Article IV, no shareholder may have Holdings (as defined in Section 4 of this Article) of shares that exceed twenty percent (20%) of the issued and outstanding shares of Common Stock.

Section 2 Upon the resolution of at least two-thirds of the Board of Directors, the restriction imposed by Article IV, Section 1 may be waived with respect to the Holdings, of any shareholder or shareholders.

Section 3 If any shareholder acquires Holdings which cause the violation of the restriction contained in Article IV, Section 1, the Board of Directors may (i) terminate all voting rights attributable to the shares owned beneficially by such shareholder (the "Substantial Shareholder") during the time that Article IV, Section 1 is being violated; (ii) commence litigation to require the divestiture of such amount of the shares so that after such divestiture the shareholder would no longer be in violation of the restriction contained in Article IV, Section 1; or (iii) take such other action as is appropriate under the circumstances.

Section 4 A shareholder's Holdings, as such term is used in this Article IV are: (i) the Common Stock the shareholder owns of record; (ii) the Common Stock to which the shareholder has direct or indirect beneficial ownership and (iii) the Common Stock owned of record or beneficially (as defined in this Section) by other shareholder(s) acting together with the shareholder as a group for the purpose of acquiring, holding or disposing of Common Stock (such group is hereinafter referred to as a "Shareholder Group"). The Board of Directors may use, but is not necessarily limited to, the following indicia to determine "beneficial ownership": the effect of stock ownership by a person's spouse and minor children; ownership of shares held by a corporation or foundation of which a Substantial Shareholder is an officer or affiliate; the extent of a Substantial Shareholder's ownership of partnership shares; transfers pursuant to divorce; installment purchases; stock warrants, grants and options; control over the voting power of any stock; the status of a Substantial Shareholder as trustee, trust beneficiary or settler of a trust of which part of all of the corpus is shares of the common stock of the Bank; and stock dividends. The Board of Director's determination of the existence and membership of a Shareholder Group, of a shareholder's Holdings and of the record are conclusive, absent proof of bad faith.

Section 5 This Article IV may not be amended unless approved by the affirmative vote of at least two-thirds (2/3) of the outstanding shares of Common Stock of the Bank.

ARTICLE V
Control Transactions

Section 1 Section 1610 of the Banking code of 1965 (relating to the right of shareholders to receive payment for shares following a control transaction) shall not apply to the institution.

ARTICLE VI
Cumulative Voting Rights

Section 1 Shareholders shall not be entitled to cumulate their votes for directors.

ARTICLE VII
Acquisition Offers

Section 1 The Board of Directors may, if it deems it advisable, oppose a tender or other offer for the Bank's securities, whether the offer is in cash or in the securities of a corporation or otherwise. When considering whether to oppose an offer, the Board of Directors may, but is not legally obligated to, considers any relevant or pertinent issue; by way of illustration, but not of limitation, the Board of Directors may, but shall not be legally obligated to, consider any or all of the following:

(a) whether the offer price is acceptable based on the historical and present operating results or financial condition of the Bank;
(b) whether a more favorable price could be obtained for the Bank's securities in the future;
(c) the social and economic effects of the offer or transaction on this Bank and any of its subsidiaries, employees, depositors, loan and other customers, creditors, shareholders and other elements of the communities in which this Bank and any of its subsidiaries operate or are located;
(d) the business and financial conditions and earnings prospects of the offeror, including, but not limited to, debt service and other existing or likely financial obligations of the offeror, and the possible affect of such conditions upon this Bank and any of its subsidiaries and the other elements of the communities in which this Bank and any of its subsidiaries operate or are located;
(e) the value of the securities (if any) which the offeror is offering in exchange for the Bank's securities, based, on an analysis of the worth of the Bank as compared to the corporation whose securities are being offered;
(f) any antitrust or other legal and regulatory issues that are raised by the offer.

Section 2 If the Board of Directors determines that an offer should be rejected, it may take any lawful action to accomplish its purpose including, but not limited to, the following: advising shareholders not to accept the offer; litigation against the offeror; filing complaints with all governmental and regulatory authorities; acquiring securities; selling or otherwise issuing authorized but unissued securities or treasury stock or granting options with respect thereto; acquiring a company to create an antitrust or other regulatory problem for the offeror; or obtaining a more favorable offer from another individual or entity.

Section 3 This Article VII may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds (2/3) of the outstanding shares of common stock of the Bank.

ARTICLE VIII
Indemnification

Section 1 The Bank shall, to the fullest extent permitted by applicable law, indemnify any and all persons whom it shall have the power to indemnify from and against any and all expenses, liabilities or other matter for which indemnification is permitted by applicable law, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE IX
Effective Date of Amendments

Section 1 The effective date of the amendments made by these Amended and Restated Articles of Incorporation shall be the date on which such Articles are filed with the Department of State of the Commonwealth of Pennsylvania.

Section 2 These Amended and Restated Articles of Incorporation supersede the original Articles of Incorporation.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Amended and Restated Articles of Incorporation to be executed by a duly authorized officer on this 21st day of June, 2007.

By: ______________________________
Christopher J. Annas, President &
Chief Executive Officer

By: ______________________________
Denise Lindsay, Executive Vice President &
Corporate Secretary

AMENDED AND RESTATED BYLAWS
of
MERIDIAN BANK

(Amended and restated as of May 26, 2016)

Article 1
PURPOSE

Section 1.1 Meridian Bank (the "Bank") shall engage in the business of receiving deposits, making loans and generally transacting all business permitted to a bank, as defined in the Banking Code of 1965 ("Pennsylvania Banking Code"), as amended, and under any present or future laws of the Commonwealth of Pennsylvania or the United States of America.

Section 1.2 The Bank shall have and continuously maintain in Pennsylvania a registered office which may, but need not, be the same as its place of business and at an address to be designated from time to time by the Board of Directors.

Section 1.3 The Bank may also have offices at such other places as the Board of Directors may from time to time designate or the business of the Bank may require.

Article 2
SHAREHOLDERS MEETINGS

Section 2.1 All meetings of the shareholders shall be held within the Commonwealth of Pennsylvania at such time and place as may be fixed from time to time by the Board of Directors. Any meeting of shareholders may be held in whole or in part by means of the Internet or other electronic communications technology in the manner and if permitted by law and as determined by the Board of Directors.

Section 2.2 The annual meeting of the shareholders shall be held at such time and place as may be set by the Board of Directors but not later than September 30 in each year, when the shareholders shall elect directors to the Board of Directors and transact such other business as may properly be brought before the meeting.

Section 2.3 Special meetings of the shareholders may be called at any time by the Chairman of the Board, the Chief Executive Officer, a majority of the Board of Directors or by one or more shareholders entitled to cast at least one-fifth of the votes which all shareholders are entitled to cast at the particular meeting.

Section 2.4 Written notice of all shareholder meetings, other than adjourned meetings of shareholders, shall state the place, date and hour of the meeting and shall be given to the shareholders of record entitled to vote at such meeting either personally or by sending a copy thereof through the mail, or by telegram, charges prepaid, to his/her address appearing on the books of the Bank or supplied by him to the Bank for the purpose of notice, or by any other means permitted by law, at least five (5) days before such meeting unless a greater period of notice is required by applicable law. If the notice is sent by mail or by telegraph, it shall be deemed to have been given to the shareholder when deposited in the United States mail or with a telegraph office for transmission to such person. In the case of a special meeting of shareholders, the notice shall also include the general nature of the business to be transacted.

Section 2.5 At any annual or special meeting of shareholders, no shareholder shall be entitled to present new business, any proposal, or additional items for action by the shareholders, for consideration at the meeting, unless the shareholder shall have delivered to the Secretary of the Bank a written notice setting forth in detail the new business, proposal or additional item for action by the shareholders, in the form to be acted upon or considered in the meeting. Such notice shall be delivered in such manner that it is received by the Secretary at least five (5) days before the date of the meeting, or else the chairman of the meeting shall not be obligated to recognize such matter as eligible for consideration at that meeting. The Bank shall not be obligated to notify shareholders, in advance of any meeting, of any shareholder proposals that have been received or may be presented at the meeting.

Article 3
QUORUM OF SHAREHOLDERS

Section 3.1 The presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote shall constitute a quorum. If a meeting cannot be organized for lack of a quorum, those present may adjourn the meeting to such time and place as they may determine. In the case of a meeting for the election of directors which is twice adjourned for lack of a quorum, those present at the second of such adjourned meetings shall constitute a quorum for the election of directors without regard to the other quorum requirements of this section, the Articles of Incorporation or these bylaws.

Article 4
VOTING RIGHTS

Section 4.1 Except as may be otherwise provided by applicable law or the Articles of Incorporation, at every shareholders meeting, every shareholder entitled to vote thereat shall have the right to one vote for every share having voting power standing in his or her name on the records of the Bank on the record date fixed for the meeting. No share shall be voted at any meeting if an installment is due and unpaid thereon.

Section 4.2 When a quorum is present at any meeting the vote of the holders of a majority of the stock having voting power, present, in person or by proxy, shall decide any question brought before such meeting except as provided differently by law or by the Articles of Incorporation.

Article 5
PROXIES

Section 5.1 Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him or her by proxy. Every proxy shall be executed in writing by the shareholder or his or her duly authorized attorney in fact and filed with the Secretary of the Bank. Each proxy shall be revocable at will except solely to the extent that it states expressly that it is irrevocable, and then only to the extent that it is coupled with an interest. The revocation of a proxy shall not be effective until notice thereof has been given to the Secretary of the Bank. No unrevoked proxy shall be valid after 11 months or such longer period expressly provided therein not in excess of 3 years from the date of execution, unless revoked earlier or unless coupled with an interest. A proxy shall not be revoked by the death or incapacity of the maker, unless before the vote is counted or the authority is exercised, written notice of such death or an adjudication of incapacity is given to the Secretary of the Bank.

Article 6
RECORD DATE

Section 6.1 The Board of Directors may fix a time, not more than sixty (60) days prior to the date of any meeting of shareholders, or the date fixed for the payment of any dividend or distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares will be made or go into effect, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend or distribution, or to receive any such allotment of rights, or to exercise the rights in respect to any such change, conversion or exchange of shares. The Board of Directors may close the records of the Bank against transfers of shares during the whole or any part of such period, and in such case written or printed notice thereof shall be mailed at least 10 days before closing thereof to each shareholder of record at the address appearing on the records of the Bank or supplied by him or her to the Bank for the purpose of notice. While the stock transfer records of the Bank are closed, no transfer of shares shall be made thereon. If no record date is fixed by the Board of Directors for the determination of shareholders entitled to receive notice of, and vote at, a shareholders meeting, transferees of shares which are transferred on the records of the Bank within 10 days next preceding the date of such meeting shall not be entitled to notice of or to vote at such meeting.

Article 7
VOTING LISTS

Section 7.1 The officer or agent having charge of the transfer records for shares of the Bank shall make, at least 5 days before each meeting of shareholders, a complete alphabetical list of the shareholders entitled to vote at the meeting, with their addresses and the number of shares held by each, which list shall be kept on file at the registered office or principal place of business of the Bank and shall be subject to inspection by any shareholder during normal business hours and at the time and place of the meeting during the entire meeting. The original transfer records for shares of the Bank, or a duplicate thereof kept in this Commonwealth, shall be prima facie evidence as to who are the shareholders entitled to exercise the rights of a shareholder.

Article 8
JUDGES OF ELECTION

Section 8.1 In advance of any meeting of shareholders, the Board of Directors may appoint judges of election and any alternates, who need not be shareholders, to act at such meeting or any adjournment thereof. If judges of election are not so appointed, the Chairman of any such meeting may, and on the request of any shareholder or his or her proxy shall, make such appointment at the meeting. The number of judges shall be one or three. If appointed at a meeting on the request of one or more shareholders or proxies, the majority of shares present and entitled to vote shall determine whether one or three judges are to be appointed. No person who is a candidate for office shall act as a judge.

Section 8.2 In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the Board of Directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof.

Section 8.3 The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

Section 8.4 On request of the presiding officer of the meeting, or of any shareholder, the judges of election shall make a report in writing of any challenge or question or matters determined by them.

Article 9
CONSENT OF SHAREHOLDERS IN LIEU OF MEETING

Section 9.1 Any action required to be taken at a meeting of the shareholders, or of a class of shareholders, may be taken without a meeting, if a consent or consents in writing setting forth the action so taken shall be signed by all of the shareholders who would be entitled to vote on such action at a meeting and shall be filed with the Secretary of the Bank.

Section 9.2 The consent or consents in writing required by this Article 9 may be given by proxy in accordance with Section 5.1 hereof.

Article 10
DIRECTORS

Section 10.1 Nominations for the election of directors may be made by the Board of Directors or by any shareholder entitled to vote in the election of directors. All nominations made by any shareholder must be made in writing, delivered or mailed by registered or certified mail, postage prepaid, return receipt requested, to the Secretary of the Bank not less than 90 days nor more than 120 days prior to any meeting of the shareholders called for the election of directors. If less than 90 days' notice of the meeting is given to the shareholders, the nomination shall be delivered or mailed to the Secretary not later than the close of the 7th day following the day on which notice of the meeting was mailed to shareholders. Every nomination shall be signed by the nominating shareholder or shareholders and shall include: (i) the signed, written consent of the person nominated to serve as a director; (ii) the name, age, business address and residence address of the nominee; (iii) the principal occupation or employment of the nominee; (iv) a statement whether the nominee is also a director or officer of any other banking, securities, insurance or financial securities organization, and if so the name and address of each such organization; (v) a completed and signed financial and biographical statement concerning the nominee in the form require by applicable banking regulators; (vi) the number of shares of the Bank beneficially owned by the nominee; (vii) the name and address of the nominating shareholder; and (viii) the number of shares of the Bank owned by the nominating shareholder. The Chairman of any meeting called for the election of directors shall reject any nomination made by any shareholder which was not made in accordance with the provisions of this Section, unless the Board of Directors has agreed to waive said provisions as to such nomination. In the event that the same person is nominated by more than one shareholder, if at least one nomination for such person complies with this Section, the nomination shall be honored and all votes cast for such nominee shall be counted. Nominations for the election of directors made by the Board of Directors need not comply with the provisions of this Section.

Section 10.2 Subject to applicable law, the Articles of Incorporation and these Bylaws, the number of directors shall be determined from time to time by resolution adopted by an affirmative majority vote of the Board of Directors. The number of directors shall be not less than five (5) or more than fifteen (15).

Section 10.3 The Board of Directors shall be divided into three classes (Class A, Class B and Class C), as nearly equal in number as the then total number of directors constituting the whole Board permits, with the term of office of one class expiring each year. At the first annual meeting of shareholders, directors in Class A shall be elected to hold office for a 1-year term; directors in Class B shall be elected to hold office for a 2-year term; and directors in Class C shall be elected to hold office for a 3-year term. Each class of directors shall be elected in a separate election. The term of office, until otherwise fixed, for all directors elected at each annual meeting held after the first annual meeting shall be 3 years from the date of their election.

Section 10.4 Any director may resign at any time by sending a written notice of such resignation to the Bank addressed to the Chief Executive Officer. Such resignation shall be effective upon the Chief Executive Officer's receipt of such notice, or at such later date as may be provided in the written notice of resignation.

Section 10.5 The Directors shall be natural persons of full age and need not be residents of Pennsylvania. Each Director shall own, from time to time, the minimum qualifying interest in the Bank as determined by the Board of Directors.

Article 11
VACANCIES ON BOARD OF DIRECTORS

Section 11.1 Any vacancies in the Board of Directors for any reason, including vacancies caused by any increase in the number of directors, may be filled by the Board of Directors, acting by a majority of the directors then in office, although less than a quorum. Any director chosen to fill a vacancy in any class of directors shall become a member of the class of directors in which the vacancy occurred. Such director shall hold office for the remainder of the original term of such vacancy.

Article 12
POWERS OF BOARD OF DIRECTORS

Section 12.1 The business and affairs of the Bank shall be managed by its Board of Directors, which may exercise all such powers of the Bank and do all such lawful acts and things as are not by applicable law or by the Articles of Incorporation or by these Bylaws directed or required to be exercised and done by the shareholders.

Article 13
MEETINGS OF THE BOARD OF DIRECTORS

Section 13.1 An organization meeting may be held immediately following the annual shareholders meeting without the necessity of notice to the directors to constitute a legally convened meeting, or the directors may meet at such time and place as may be fixed by either a notice or waiver of notice or consent signed by all of such directors.

Section 13.2 Regular meetings of the Board of Directors shall be held not less often than ten (10) times per calendar year, at a time and place determined by the Board of Directors. One or more directors may participate in any regular meeting of the Board of Directors, or of any committee thereof, by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear one another.

Section 13.3 Special meetings of the Board of Directors may be called by the Chairman of the Board or the Chief Executive Officer and shall be called at the request of any three Directors. Not less than 1 day’s notice of each special meeting shall be given to each director. One or more directors may participate in any special meeting of the Board of Directors, or of any committee thereof, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear one another.

Section 13.4 At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business. In the absence of the Secretary, the Board of Directors may designate any director or officer present at a meeting to be a secretary of the meeting. If a quorum is present, the acts of a majority of the directors present shall be the acts of the Board of Directors, except as may be otherwise specifically provided by applicable law or by the Articles of Incorporation or by these Bylaws.

Section 13.5 A director of the Bank who is present at a meeting of the Board of Directors at which action on any matter is taken shall be presumed to have assented to the action taken unless his or her dissent or abstention shall be entered into the minutes of the meeting or unless he or she shall file his written dissent to such action with the person acting as the secretary of the meeting before the minutes are formally approved by the Board of Directors or shall forward such dissent by registered mail to the secretary of the Bank within 5 days after the date a copy of the minutes of the meeting is received. Such right to dissent shall not apply to a director who voted in favor of such action.

Article 14
INFORMAL ACTION BY THE BOARD AND COMMITTEES

Section 14.1 Any action which may be taken at a meeting of the Board of Directors or any committee thereof may be taken without a meeting if a consent or consents in writing setting forth the action shall be signed by all of the directors or all of the members of the committee in question and shall be filed with the secretary of the Bank.

Article 15
COMPENSATION OF DIRECTORS

Section 15.1 Directors, as such, may receive a stated salary for their services or fixed sum and expenses for attendance at regular and special meetings, or any combination of the foregoing as may be determined from time to time by resolution of the Board of Directors, and nothing contained herein shall be construed to preclude any director from serving the Bank in any other capacity and receiving compensation therefore. In addition to or in lieu of the foregoing, Directors may be compensated with shares or options to purchase shares of the Bank's stock.

Article 16
COMMITTEES

Section 16.1 The standing committees which shall be appointed from time to time by the Board of Directors shall be the Audit Committee, the Loan and Investment Committee, the Compensation Committee and such other committees as may be deemed necessary by the Board or shareholders for efficient operation of the Bank.

Section 16.2 The Audit Committee shall consist of not less than three nor more than five Directors, none of whom shall be active officers of the Bank, and a majority of whom shall constitute a quorum. The Audit Committee, or the full Board of Directors in absence of action by the Audit Committee, shall at least once in each year cause to be made, by a certified public accountant selected for the purpose, an independent audit of the Bank's financial condition and results of operation. Upon completion of the audit the certified public accountant shall make a report thereof and its recommendations to management in accordance with applicable law and any requirements imposed by the Audit Committee or the Board of Directors.

Section 16.3 Each committee shall elect a presiding officer from its members and, except to the extent provided by these Bylaws or resolution of the Board of Directors, may fix its own rules of procedure which shall not be inconsistent with express requirements of these Bylaws or any resolution of the Board of Directors applicable to such committee. It shall keep regular minutes of proceedings and report the same to the Board of Directors for its information at the meeting held next after the proceedings shall have occurred.

Article 17
OFFICERS

Section 17.1 The Chairman shall be elected by the Board of Directors at its initial annual organization meeting. The officers shall include a Chief Executive Officer, a President (who may, but need not, be the same individual as the Chief Executive Officer), a Secretary and a Treasurer. The Bank shall also have one or more Vice Presidents and such other officers and assistant officers, and appoint such agents, as it shall deem necessary from time to time, who shall hold their offices for such terms, have such authority and perform such duties, as may from time to time be prescribed by the Chief Executive Officer and approved by the Board of Directors. The Board of Directors may, but need not, appoint a director or officer to act as secretary of the meeting to take minutes of any one or more meetings of the Board of Directors in the absence of the Secretary. Any two or more offices may be held by the same person except both the offices of President and of Treasurer.

Section 17.2 The Chairman of the Board shall preside at all meetings of the shareholders and directors.. He or she shall also have and may exercise such further powers and duties as from time to time may be conferred upon or assigned to him or her by the Board of Directors.

Section 17.3 The Chief Executive Officer shall be a member of the Board of Directors, and shall have general and active management of the business of the Bank and shall supervise the carrying out of the policies adopted or approved by the Board. The Chief Executive Officer shall have general executive powers as well as any specific powers and duties as may be conferred upon him or her by the Board, subject, however, to the right of the Board of Directors to delegate any specific powers, to any other officer or officers of the Bank, except such as may be by law exclusively conferred on the Chief Executive Officer. The Chief Executive Officer shall have power to execute bonds, mortgages and other contracts requiring a seal under the seal of the Bank, except where required by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Bank.

Section 17.4 The Vice Presidents shall have such duties and powers as may from time to time be assigned to them by the Chief Executive Officer, subject to the authority of the Board of Directors. One or more may be designated Executive Vice President or Senior Vice President.

Section 17.5 The Secretary shall keep the minutes of the meetings of the shareholders and of the Board of Directors . He or she shall have charge of the corporate records, papers, and the corporate seal of the Bank. He or she shall give notice of all meetings of shareholders, of the Board of Directors (and of special meetings of any executive committee).

Section 17.6 The Treasurer shall be responsible for all money, funds, securities, fidelity and indemnity bonds and other valuables belonging to the Bank; shall cause to be kept proper records of the transactions of the Bank; and shall perform such other duties as may be assigned to him or her from time to time by the Chief Executive Officer, subject to the authority of the Board of Directors.

Section 17.7 The compensation of the Chief Executive Officer of the Bank shall be fixed by the Board of Directors, or by the Compensation Committee with the approval of the Board of Directors.

Section 17.8 Notwithstanding any contract or agreement of the Bank or any written statement or policy, all officers and employees serve at the will of the Board of Directors and may be terminated at any time by the Board of Directors without prior notice, subject however, to any damages or other remedies which may be available for such termination under any agreement or applicable law.

Article 18
INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

Section 18.1 A director of the Bank shall stand in a fiduciary relation to the Bank and shall perform his or her duties as a director, including his or her duties as a member of any committee of the board upon which he or she may serve, in good faith, in a manner he or she reasonably believes to be in the best interests of the Bank, and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. In performing his or her duty, a director shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following: (a) one or more officers or employees of the Bank whom the director reasonably believes to be reliable and competent in the matters presented; (b) legal counsel, public accountants or other persons as to matters which the director reasonably believes to be within the professional or expert competence of such person; (c) a committee of the Board of Directors upon which he or she does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the director reasonably believes to merit confidence. A director shall not be considered to be acting in good faith if he or she has knowledge concerning the matter in question that would cause his or her reliance to be unwarranted.

Section 18.2 In discharging the duties of their respective positions, the Board of Directors, committees of the board, and individual directors may, in considering the best interests of the Bank, consider the effects of any action upon employees, upon suppliers and customers of the Bank and upon communities in which offices or other establishments of the Bank are located, and all other pertinent factors. The consideration of those factors shall not constitute a violation of Section 18.1.

Section 18.3 Absent a breach of fiduciary duty, lack of good faith or self-dealing, or breach of applicable law or regulations, actions taken as a director or any failure to take any action shall be presumed to be in the best interests of the Bank.

Section 18.4 A director of the Bank shall not be personally liable for monetary damages as such for any action taken or for any failure to take any action to the extent that: (a) the director has not breached or failed to perform the duties of his or her office under the provisions of Sections 18.1 and 18.2; and (b) the breach or failure to perform does not constitutes self-dealing, willful misconduct or recklessness or breach of applicable law or regulations.

Section 18.5 The Bank shall indemnify any director, officer and/or employee, or any former director, officer and/or employee, who was or is a party to, or is threatened to be made a party to, or who is called to be a witness in connection with, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that such person is or was a director, officer and/or employee of the Bank, or is or was serving at the request of the Bank as a director, officer, employee or agent of a corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Bank, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interests of the Bank, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

Section 18.6 Except as may be otherwise ordered by a court, there shall be a presumption each director, officer and/or employee is entitled to indemnification as provided in Section 18.5 of this Article unless either a majority of the directors who are not involved in such proceedings ("disinterested directors") or, if there are less than three disinterested directors, then the holders of one-third of the outstanding shares of the Bank determine that the person is not entitled to such presumption by certifying such determination in writing to the Secretary of the Bank. In such event the disinterested director(s) or, in the event of certification by shareholders, the Secretary of the Bank shall request of independent counsel, who may be the outside general counsel of the Bank, a written opinion as to whether or not the parties involved are entitled to indemnification under Sections 18.5 of this Article.

Section 18.7 Expenses incurred by a director, officer and/or employee in defending a civil or criminal action, suit or proceeding may be paid by the Bank in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided under Section 18.6 of this Article upon receipt of an undertaking by or on behalf of the director, officer and/or employee to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Bank.

Section 18.8 The indemnification provided by this Article shall not be deemed exclusive of any other rights, to which a person seeking indemnification may be entitled under any agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his or her official capacity while serving as a director, officer and/or employee and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer and/or employee and shall inure to the benefit of the heirs, executors and administrators of such a person. The Bank shall have the authority to enter into a separate indemnification agreement with any officer, director, employee or agent of the Bank or any subsidiary providing for such indemnification of such person as the Board of Directors shall determine up to the fullest extent permitted by law.

Section 18.9 The Bank may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations arising under this Article.

Section 18.10 The Bank shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer and/or employee of the Bank, or is or was serving at the request of the Bank as a director, officer and/or employee of a corporation, partnership, joint venture trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Bank would have the power to indemnify him or her against such liability under the provisions of this Article.

Section 18.11 Indemnification, advancement of expenses and other actions under this Article shall not be made in any case where applicable banking laws or regulations prohibit the same, or where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness.

Article 19
DIVIDENDS

Section 19.1 Subject to the requirements of applicable law, the Board of Directors may, from time to time, at any duly convened regular or special meeting or by unanimous consent in writing, declare and pay dividends upon the outstanding shares of capital stock of the Bank in cash, property or shares of the Bank (including without limitation a stock split effected in the form of a stock dividend), as long as any dividend shall not be in violation of law or the Articles of Incorporation.

Article 20
FINANCIAL REPORTS TO SHAREHOLDERS

Section 20.1 In addition to any other requirements imposed by applicable law , the Chief Executive Officer and the Board of Directors shall present to the Bank’s shareholders, at or prior to each annual meeting of the shareholders, a full and complete statement of the business and affairs of the Bank for the preceding fiscal year.

Article 21
SIGNING AND APPROVAL AUTHORITIES

Section 21.1 In addition to the specific approval and signing authorities, or any limitations thereon, provided by applicable law, the Articles of Incorporation or these Bylaws, the various officers and employees of the Bank shall have such authorities to approve transactions and sign or otherwise execute agreements, checks, orders, items, instruments, certificates and other documents, as the Board of Directors may establish from time to time by resolution or resolutions.

Article 22
FISCAL YEAR

Section 22.1 The fiscal year of the Bank shall end on December 31 in each year.

Article 23
WAIVER OF NOTICES

Section 23.1 Any written notice required to be given hereunder need not be given if there is a waiver thereof in writing, signed by the person entitled to such notice, whether before or after the time when the notice would otherwise be required to be given. Attendance of any person entitled to notice, whether in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where any person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened. Where written notice is required of any meeting, the waiver thereof must specify the purpose only if it is for a special meeting of shareholders. To the extent that applicable law gives electronic communications or signatures the effect of written communications or signatures, any such waiver may be made by electronic means.

Article 24
EMERGENCIES

Section 24.1 The Board of Directors may adopt emergency Bylaws, subject to repeal or change by action of the shareholders, which shall, notwithstanding any different provisions of law, of the Articles of Incorporation or of these Bylaws, be effective during any emergency resulting from an attack on the United States, a nuclear disaster or another catastrophe as a result of which a quorum of the Board of Directors cannot readily be assembled ("Emergency Bylaws"). The Emergency Bylaws may make any provision that may be appropriate for the circumstances of the emergency including, procedures for calling meetings of the Board of Directors, quorum requirements for meetings and procedures for designating additional or substitute directors.

Section 24.2 The Board of Directors, either before or during any emergency, may provide, and from time to time modify, lines of succession in the event that during the emergency any or all officers or agents of the Bank shall for any reason be rendered incapable of discharging their duties and may, effective in the emergency, change the head offices or designate several alternative head offices or regional offices of the Bank or authorize the officers to do so.

Section 24.3 A representative of the Bank acting in accordance with Emergency Bylaws shall not be liable except for willful misconduct and shall not be liable for any action taken by him or her in good faith in an emergency in furtherance of the ordinary business affairs of the Bank even though not authorized by the Emergency Bylaws.

Section 24.4 To the extent not inconsistent with any Emergency Bylaws so adopted, the Bylaws of the Bank shall remain in effect during any emergency and, upon its termination, the Emergency Bylaws shall cease to be effective.

Section 24.5 Unless otherwise provided in Emergency Bylaws, notice of any meeting of the Board of Directors during an emergency shall be given only to those directors to whom it is feasible to reach at the time and by such means as are feasible at the time, including publication, radio or television. To the extent required to constitute a quorum at any meeting of the Board of Directors during any emergency, the officers of the Bank who are present shall, unless otherwise provided in Emergency Bylaws, be deemed, in order of rank and within the same rank in order of seniority, directors for the meeting.

Article 25
CORPORATE SEAL

Section 25.1 The Board of Directors may adopt a corporate seal for the Bank for use in sealing executed documents and instruments. The corporate seal shall be in such form as the Board of Directors may determine from time to time.

Article 26
AMENDMENTS

Section 26.1 These Bylaws may be altered, amended or repealed by either (i) the affirmative vote of the holders of a majority of the outstanding shares of Common Stock at a regular or special meeting of the shareholders; or (ii) action of the Board of Directors (except the directors shall not make or alter any bylaws fixing their qualification, classification or term of office), subject always to the power of the shareholders to change such action of the Board of Directors by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock.

Meridian Bank
2016 Equity Incentive Plan

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ARTICLE 1. PURPOSE OF THE PLAN; TYPES OF AWARDS

1.1 Purpose. The Meridian Bank 2016 Equity Incentive Plan is intended to provide selected employees and non-employee directors of Meridian Bank (the "Corporation") and its Subsidiaries with an opportunity to acquire Common Stock of the Corporation. The Plan is designed to help the Corporation attract, retain and motivate employees and non-employee directors to make substantial contributions to the success of the Corporation's business and the businesses of its Subsidiaries. Awards will be granted under the Plan based on, among other things, the individual's level of responsibility and performance.

1.2 Authorized Plan Awards. Incentive Stock Options, Nonqualified Stock Options and Restricted Stock and Restricted Stock Units may be awarded within the limitations of the Plan herein described.

ARTICLE 2. DEFINITIONS

2.1 "Agreement." A written or electronic agreement between the Corporation and a Participant evidencing the grant of an Award. A Participant may be issued one or more Agreements from time to time, reflecting one or more Awards.

2.2 "Award." The grant of a Stock Option or an award of Restricted Stock or of Restricted Stock Units.

2.3 "Board." The Board of Directors of the Corporation.

2.4 "Change in Control." Except as otherwise provided in an Agreement, the first to occur of any of the following events:

(a) any "Person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), except for any of the Corporation's employee benefit plans, or any entity holding the Corporation's voting securities for, or pursuant to, the terms of any such plan (or any trust forming a part thereof) (the "Benefit Plan(s)"), is or becomes the beneficial owner, directly or indirectly, of the Corporation's securities representing 25% or more of the combined voting power of the Corporation's then outstanding securities;

(b) receipt of applicable Federal and State regulatory approval with respect to a binding written agreement providing for a sale, exchange, transfer, or other disposition of all or substantially all of the assets of the Corporation to another entity, except to an entity controlled directly or indirectly by the Corporation;

(c) the shareholders of the Corporation approve a merger, consolidation, or other reorganization of the Corporation, unless:

(i) under the terms of the agreement approved by the Corporation's shareholders providing for such merger, consolidation or reorganization, the shareholders of the Corporation immediately before such merger, consolidation, or reorganization, will own, directly or indirectly immediately following such merger, consolidation, or reorganization, at least 51%

of the combined voting power of the outstanding voting securities of the Corporation resulting from such merger, consolidation, or reorganization (the "Surviving Corporation");

(ii) under the terms of the agreement approved by the Corporation's shareholders providing for such merger, consolidation, or reorganization, the individuals who were members of the Board immediately prior to the execution of such agreement will constitute at least 51% of the members of the board of directors of the Surviving Corporation after such merger, consolidation, or reorganization; and

(iii) based on the terms of the agreement approved by the Corporation's shareholders providing for such merger, consolidation or reorganization, no Person (other than (A) the Corporation or any subsidiary of the Corporation, (B) any Benefit Plan, (C) the Surviving Corporation or any Subsidiary of the Surviving Corporation, or (D) any Person who, immediately prior to such merger, consolidation, or reorganization had beneficial ownership of 25% or more of the then outstanding voting securities) will have beneficial ownership of 25% or more of the combined voting power of the Surviving Corporation's then outstanding voting securities;

(d) a plan of liquidation or dissolution of the Corporation, other than pursuant to bankruptcy or insolvency laws, is adopted; or

(e) during any period of two consecutive years, individuals, who at the beginning of such period, constituted the Board cease for any reason to constitute at least a majority of the Board unless the election, or the nomination for election by the Corporation's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

Notwithstanding Clause (a), a Change in Control shall not be deemed to have occurred if a Person becomes the beneficial owner, directly or indirectly, of the Corporation's securities representing 25% or more of the combined voting power of the Corporation's then outstanding securities solely as a result of an acquisition by the Corporation of its voting securities which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 25% or more of the combined voting power of the Corporation's then outstanding securities; provided, however, that if a Person becomes a beneficial owner of 25% or more of the combined voting power of the Corporation's then outstanding securities by reason of share purchases by the Corporation and shall, after such share purchases by the Corporation, become the beneficial owner, directly or indirectly, of any additional voting securities of the Corporation (other than as a result of a stock split, stock dividend or similar transaction), then a Change in Control of the Corporation shall be deemed to have occurred with respect to such Person under Clause (a). In no event shall a Change in Control of the Corporation be deemed to occur under Clause (a) with respect to Benefit Plans.

2.5 "Code." The Internal Revenue Code of 1986, as amended.

2.6 "Code of Conduct." The policies and procedures related to employment of Employees by the Corporation or a Subsidiary set forth in the Corporation or a Subsidiary's employee handbook as well as any policies and procedures related to service as a non-employee director of the Corporation or a Subsidiary. The Code of Conduct may be amended and updated at any time. The term "Code of Conduct" shall also include any other policy or procedure that may be adopted by the Corporation or a Subsidiary and communicated to Employees and non-employee directors of the Corporation or a Subsidiary.

2.7 "Committee." The Compensation Committee of the Board.

2.8 "Common Stock." The common stock of the Corporation as described in the Corporation's Articles of Incorporation, or such other stock as shall be substituted therefor.

2.9 "Continuous Service." Continuous Service means that the Participant's service with the Corporation or a Subsidiary, whether as an Employee or Director, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Corporation or a Subsidiary as an Employee or Director or a change in the entity for which the Participant renders such service, *provided that* there is no interruption or termination of the Participant's Continuous Service; *provided further that* if any Award is subject to Section 409A of the Code, this sentence shall only be given effect to the extent consistent with Section 409A of the Code. For example, a change in status from an Employee of the Corporation to a Director of a Subsidiary will not constitute an interruption of Continuous Service. The Committee or its delegate, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal or family leave of absence.

2.10 "Corporation." Meridian Bank, a Pennsylvania bank.

2.11 "Employee." Any common law employee of the Corporation or a Subsidiary. An Employee does not include any individual who: (i) does not receive payment for services directly from the Corporation's or a Subsidiary's payroll; (ii) is employed by an employment agency that is not a Subsidiary; or (iii) who renders services pursuant to a written arrangement that expressly provides that the service provider is not eligible for participation in the Plan, regardless if such person is later determined by the Internal Revenue Service or a court of competent jurisdiction to be a common law employee.

2.12 "Exchange Act." The Securities Exchange Act of 1934, as amended.

2.13 "Fair Market Value." The Fair Market Value of a share of Common Stock means:

(a) If the Common Stock is listed on an established securities market (within the meaning of Code Section 409A), the Fair Market Value per share of the Common Stock shall be the closing sale price for such a share on the relevant day. If no sale of Common Stock has occurred on that day, the Fair Market Value shall be determined by reference to such price for the next preceding day on which a sale occurred.

(b) In the event that the Common Stock is not traded on an established securities market (within the meaning of Code Section 409A), then the Fair Market Value per share of Common Stock will be the price established by the Committee in good faith by application of a reasonable valuation method (within the meaning of Code Section 409A).

(c) Notwithstanding the foregoing, in the event of any change in law or interpretation of law, including but not limited to Code Section 409A and the regulations and guidance promulgated thereunder, the Fair Market Value of the Common Stock on a particular day shall be determined in accordance with such law or interpretation of law.

2.14 "Harmful Activity." A Harmful Activity shall be deemed to have occurred if the Employee or the Non-Employee Director shall, while employed by or providing services to the Corporation or within six month after termination of such employment or service, do any one or more of the following:

(a) Use, publish, sell, trade or otherwise disclose "non-public information" of the Corporation unless such activity was inadvertent, done in good faith and did not cause significant harm to the Corporation.

(b) After notice from the Corporation, fail to return to the Corporation any document, data, or other item or items in the Employee's or Non-Employee Director's possession or to which the Employee or Non-Employee Director has access that may involve "non-public information" of the Corporation.

(c) Upon the Employee's or Non-Employee Director's own behalf or upon behalf of any other person or entity that competes or plans to compete with the Corporation, solicit or entice for employment or hire any Employee of the Corporation.

(d) Upon the Employee's or Non-Employee Director's own behalf or upon behalf of any other person or entity that competes or plans to compete with the Corporation, contact, call upon, solicit or do business with (other than a business which does not compete with any business conducted by the Corporation), any customer of the Corporation the Employee or Non-Employee Director contacted, called upon, solicited, interacted with, or became acquainted with, or learned of through access to information (whether or not the information is or was "non-public information") while employed by or providing services to the Corporation unless such activity was inadvertent, done in good faith, and did not involve a customer who the Employee or Non-Employee Director should have reasonably known was a customer of the Corporation.

(e) Upon the Employee's or Non-Employee Director's own behalf or on behalf of any other person or entity that competes or plans to compete with the Corporation, engage in any business activity in competition with the Corporation in the same or closely related activity that the Employee or Non-Employee Director was engaged in for the Corporation during the one year period prior to termination of employment or termination of services.

(f) For purpose of this Section 2.14, "non-public information" means, but is not limited to, trade secrets, confidential processes, programs, software, formulas, methods, business information or plans, financial information, and listings of names (e.g., Employees, customers, and suppliers) that are developed, owned, utilized, or maintained by the Corporation, and that of its customers or suppliers, and that are not generally known by the public.

2.15 “Incentive Stock Option.” A Stock Option intended to satisfy the requirements of Code Section 422(b).

2.16 “Non-Employee Director.” A member of the Board, or of the board of directors of a Subsidiary, or any other body performing the function of a board of directors, or a member of an advisory board or council established by the Board, who is not an Employee.

2.17 “Nonqualified Stock Option.” A Stock Option which does not satisfy the requirements of Code Section 422(b).

2.18 “Optionee.” A Participant who is awarded a Stock Option pursuant to the provisions of the Plan.

2.19 “Participant.” An Employee or Non-Employee Director to whom an Award has been made which Award remains outstanding.

2.20 “Performance Criteria.” Any objective determination based on one or more of the following areas of performance of the Corporation, a Subsidiary, or any division, department or group of either which includes, but is not limited to: (a) earnings, (b) cash flow, (c) revenue, (d) financial ratios, (e) market performance, (f) shareholder return, (g) operating profits (including earnings before interest, taxes, depreciation and amortization), (h) earnings per share, (i) return on assets, (j) return on equity, (k) return on investment, (l) stock price, (m) asset quality, (n) budget and expense management, (o) systems conversion, (p) peer performance, (q) special projects as determined by the Committee, and (r) integration initiatives. Performance Criteria shall be established by the Committee prior to the issuance of a Performance Grant.

2.21 “Performance Goal.” One or more goals established by the Committee, with respect to an Award intended to constitute a Performance Grant, that relate to one or more Performance Criteria. A Performance Goal shall relate to such period of time, not less than one year (unless coupled with a vesting schedule of at least one year), as may be specified by the Committee at the time of the awarding of a Performance Grant.

2.22 “Performance Grant.” An Award, the vesting or receipt without restriction of which, is conditioned on the satisfaction of one or more Performance Goals.

2.23 “Plan.” The Meridian Bank 2016 Equity Incentive Plan.

2.24 “Restricted Award.” An Award of Restricted Stock or Restricted Stock Units.

2.25 “Restricted Stock.” An Award of Common Stock pursuant to the provisions of the Plan, which award is subject to such restrictions and other conditions, including achievement of one or more performance goals, as may be specified by the Committee at the time of such award.

2.26 “Restricted Stock Unit.” An Award of hypothetical Common Stock units pursuant to the provisions of the Plan, which award is subject to such restrictions and other conditions, including achievement of one or more performance goals, as may be specified by the Committee at the time of such award.

2.27 "Retirement." The termination of a Participant's employment following the first day of the month coincident with or next following attainment of age 65. Retirement with respect to a Participant's service as a Non-Employee Director will also be determined in accordance with the provisions of the applicable Corporation's or a Subsidiary's by-laws or other operative documents.

2.28 "Securities Act." The Securities Act of 1933, as amended.

2.29 "Stock Option" or "Option." A grant of a right to purchase Common Stock pursuant to the provisions of the Plan.

2.30 "Subsidiary." A subsidiary corporation, as defined in Code Section 424(f), that is a subsidiary of a relevant corporation.

2.31 "Termination For Cause." With respect to an individual, shall have the meaning ascribed to such term any employment, severance or other similar agreement between such individual and the Corporation, or if no such agreement exists, termination of the employment of an Employee or the termination of service of a Non-Employee Director, as the case may be (together, for purposes of this Section 2.29 (the "Individual")) after:

(a) the Pennsylvania Department of Banking or any other government regulatory agency recommends or orders in writing that the Corporation or a Subsidiary terminate the employment or services of such Individual or relieve him or her of his or her duties;

(b) the Individual engages in any Harmful Activity, or commits an act or engages in a course of conduct constituting fraud or willful malfeasance, dishonesty or gross negligence as to the Corporation or a Subsidiary or as to the Individual's employment with or service to the Corporation or a Subsidiary;

(c) in the determination of the Committee with respect to an Employee, such Employee willfully fails to follow the lawful instructions of the Board or any officer of the Corporation or a Subsidiary after such Employee's receipt of written notice of such instructions, other than a failure resulting from the Employee's incapacity because of physical or mental illness;

(d) in the determination of the Committee, the willful or continued failure by such Individual to substantially and satisfactorily perform the Individual's duties with the Corporation or a Subsidiary (other than any such failure resulting from the Individual's being "disabled" (within the meaning of Code Section 22(e)(3)) or as a result of physical or mental illness), within a reasonable period of time after a demand for substantial performance or notice of lack of substantial or satisfactory performance is delivered to the Individual, which demand identifies the manner in which the Individual has not substantially or satisfactorily performed his or her duties; or

(e) in the determination of the Committee, the failure by such Individual to conform to the Corporation's Code of Conduct.

For purposes of the Plan, no act, or failure to act, on a Individual's part shall be deemed "willful" unless done, or omitted to be done, by such Individual not in good faith and without reasonable belief that such Individual's action or omission was in the best interest of the Corporation or a Subsidiary.

ARTICLE 3. ADMINISTRATION

3.1 The Committee. The Plan shall be administered by the Compensation Committee of the Board (the "Committee") composed of two or more members of the Board, all of whom are (a) "non-employee directors" as such term is defined under the rules and regulations adopted from time to time by the Securities and Exchange Commission pursuant to Section 16(b) of the Exchange Act, and (b) "outside directors" within the meaning of Code Section 162(m). The Board may from time to time remove members from, or add members to, the Compensation Committee. Vacancies on the Compensation Committee, however caused, shall be filled by the Board.

3.2 Powers of the Committee.

(a) The Committee shall be vested with full authority to make such rules and regulations as it deems necessary or desirable to administer the Plan and to interpret the provisions of the Plan, unless otherwise determined by a majority of the disinterested members of the Board. Any determination, decision, or action of the Committee in connection with the construction, interpretation, administration or application of the Plan shall be final, conclusive, and binding upon all Participants and any person claiming under or through a Participant, unless otherwise determined by a majority of the disinterested members of the Board.

(b) Subject to the terms, provisions and conditions of the Plan the Committee shall have exclusive jurisdiction to:

(i) determine and select the Employees and Non-Employee Directors to be granted Awards (it being understood that more than one Award may be granted to the same person);

(ii) determine the number of shares subject to each Award;

(iii) determine the date or dates when the Awards will be granted;

(iv) determine the exercise price of shares subject to an Option in accordance with Article 6;

(v) determine the date or dates when an Option may be exercised within the term of the Option specified pursuant to Article 7;

(vi) determine whether an Option constitutes an Incentive Stock Option or a Nonqualified Stock Option;

(vii) determine the Performance Criteria, and establish Performance Goals with respect thereto, to be applied to an Award; and

(viii) prescribe the form, which shall be consistent with the Plan document, of the Agreement evidencing any Awards granted under the Plan.

(c) Subject to the provisions of this Article 3 and any applicable law, the Committee may, in its sole discretion, delegate any or all of its powers and duties under the Plan, including the power to make Awards under the Plan, to the Chief Executive Officer of the Corporation, subject to such limitations on such delegated powers and duties as the Committee may impose, if any; provided, however, that such delegation shall not limit the Chief Executive Officer's right to receive Awards under the Plan made by the Committee. Notwithstanding the foregoing, the Chief Executive Officer may not make Awards to, or take any action with respect to any Award previously granted, to himself or a person who is an Employee or Non-Employee Director subject to the provisions of Rule 16b-3 of the Exchange Act.

3.3 <u>Liability</u>. No member of the Board, the Committee or its designee shall be liable for any action or determination made in good faith by the Board or the Committee with respect to this Plan or any Awards granted under this Plan.

3.4 <u>Establishment and Certification of Performance Goals</u>. The Committee shall establish, prior to grant, Performance Goals with respect to each Award intended to constitute a Performance Grant. Notwithstanding anything herein to the contrary, no Option that is intended to constitute a Performance Grant may be exercised until the Performance Goal or Goals applicable thereto is or are satisfied, nor shall any share of Restricted Stock that is intended to constitute a Performance Grant be released to a Participant until, the Performance Goal or Goals applicable thereto is or are satisfied.

3.5 <u>No Waiver of Performance Goals</u>. Under no circumstances shall the Committee or the Board waive any Performance Goals with respect to the grant of any Award hereunder that is intended to constitute a Performance Grant.

3.6 <u>Performance Grants Not Mandatory</u>. Nothing herein shall be construed as requiring that any Award be made a Performance Grant; provided, however, that any Award may be subject to a one or more Performance Goals.

ARTICLE 4. COMMON STOCK SUBJECT TO THE PLAN

4.1 <u>Common Stock Authorized</u>.

(a) Subject to adjustment in accordance with Section 10, a total of 178,000 shares of Common Stock shall be available for the grant of Awards under the Plan. During the terms of the Awards, the Corporation shall keep available at all times the number of shares of Common Stock required to satisfy such Awards.

(b) Shares of Common Stock available for distribution under the Plan may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares reacquired by the Corporation in any manner.

(c) Subject to adjustment in accordance with Section 10, no Participant shall be granted, during any one (1) year period, Stock Options to purchase Common Stock with respect to more than 25,000 shares of Common Stock in the aggregate or any other Awards with respect to more than 30,000 shares of Common Stock in the aggregate. If an Award is to be settled in cash, the number of shares of Common Stock on which the Award is based shall count toward the individual share limit set forth in this Section 4.

(d) Any shares of Common Stock subject to an Award that is canceled, forfeited or expires prior to exercise or realization, either in full or in part, shall again become available for issuance under the Plan.

(e) If any Stock Option is exercised by tendering Common Stock, either actually or by attestation, to the Corporation as full or partial payment in connection with the exercise of such Stock Option under the Plan, or if the tax withholding requirements are satisfied through such tender, only the number of shares of Common Stock issued net of the Common Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares available for Awards under the Plan.

4.2 <u>Shares Available</u>. The Common Stock to be issued under the Plan shall be the Corporation's Common Stock which shall be made available at the discretion of the Board, either from authorized but unissued Common Stock or from Common Stock acquired by the Corporation, including shares purchased in the open market. In the event that any outstanding Award under the Plan for any reason expires, terminates, or is forfeited, the shares of Common Stock allocable to such expiration, termination, or forfeiture may thereafter again be made subject to an Award under the Plan.

ARTICLE 5. ELIGIBILITY

5.1 <u>Participation</u>. Awards shall be granted by the Committee only to persons who are Employees and Non-Employee Directors.

5.2 <u>Incentive Stock Option Eligibility</u>. Incentive Stock Options may only be granted to Employees of the Corporation or a Subsidiary. Notwithstanding any other provision of the Plan to the contrary, a person who owns more than ten percent of the total combined voting power of all classes of outstanding stock of the Corporation shall not be eligible for the grant of an Incentive Stock Option, unless the special requirements set forth in Sections 6.1 and 7.1 are satisfied. For purposes of this section, in determining stock ownership, a person shall be considered as owning the stock owned, directly or indirectly, by or for the person's brothers and sisters (whether by the whole or half blood), spouse, ancestors and lineal descendants. Stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by or for its shareholders, partners or beneficiaries. "Outstanding stock" shall include all stock actually issued and outstanding immediately before the grant of the Option. "Outstanding stock" shall not include shares authorized for issue under outstanding Options held by the Optionee or by any other person.

ARTICLE 6. STOCK OPTIONS IN GENERAL

6.1 Exercise Price. The exercise price of an Option to purchase a share of Common Stock shall be, in the case of an Incentive Stock Option, not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted, except that the exercise price shall be not less than 110% of such Fair Market Value in the case of an Incentive Stock Option granted to any person described in Section 5.2. The exercise price of an Option to purchase a share of Common Stock shall be, in the case of a Nonqualified Stock Option, not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted. The exercise price shall be subject to adjustment pursuant to the limited circumstances set forth in Article 10.

6.2 Limitation on Incentive Stock Options. The aggregate Fair Market Value (determined as of the date an Option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Employee in any calendar year (under the Plan and all other plans maintained by the Corporation and any Subsidiary) shall not exceed $100,000. With respect to all or any portion of any Option granted under this Plan not qualifying as an Incentive Stock Option, such Option shall be considered as a Nonqualified Stock Option granted under this Plan for all purposes. In addition, in the event that the Committee grants an Incentive Stock Option under this Plan to a Participant, and, in the event that the applicable limitation contained in this Section 6.2 is exceeded, then such Incentive Stock Option in excess of such limitation shall be treated as a Nonqualified Stock Option under this Plan subject to the terms and provisions of the applicable Agreement, except to the extent modified to reflect recharacterization of the Incentive Stock Option as a Nonqualified Stock Option.

6.3 Transferability of Options.

(a) Except as provided in Subsection (b), an Option granted hereunder shall not be transferable other than by will or the laws of descent and distribution, and such Option shall be exercisable, during the Optionee's lifetime, only by him or her.

(b) An Optionee may, with the prior approval of the Committee, transfer a Nonqualified Stock Option for no consideration to or for the benefit of one or more members of the Optionee's "immediate family" (including a trust, partnership or limited liability company for the benefit of one or more of such members), subject to such limits as the Committee may impose, and the transferee shall remain subject to all terms and conditions applicable to the Option prior to its transfer. The term "immediate family" shall mean an Optionee's spouse, parents, children, stepchildren, adoptive relationships, sisters, brothers and grandchildren (and, for this purpose, shall also include the Optionee).

ARTICLE 7. TERM, VESTING AND EXERCISE OF OPTIONS

7.1 Term and Vesting. Each Option granted under the Plan shall terminate on the date determined by the Committee, and specified in the Agreement; provided, however, that:

(a) each intended Incentive Stock Option granted to a person described in Section 5.2 shall terminate not later than five years after the date of the grant;

(b) each other intended Incentive Stock Option shall terminate not later than ten years after the date of grant; and

(c) each Option granted under the Plan which is intended to be a Nonqualified Stock Option shall terminate not later than ten years and one month after the date of grant.

Each Option granted under the Plan shall be fully exercisable (i.e., become 100% vested) only after the earlier of the date on which:

(a) the Optionee has completed one year of Continuous Service with the Corporation or a Subsidiary immediately following the date of the grant of the Option (or such later date as may be specified in an Agreement, including a date that may be tied to the satisfaction of one or more Performance Goals);

(b) unless otherwise provided in an Agreement, a Change in Control occurs; or

(c) unless otherwise provided in an Agreement, the Optionee's Retirement, death, or being "disabled" (within the meaning of Code Section 22(e)(3)).

An Option may be exercised only during the continuance of the Optionee's employment, or service as a Non-Employee Director except as provided in Article 8.

7.2 Exercise.

(a) A person electing to exercise an Option shall give notice to the Corporation of such election and of the number of shares he or she has elected to purchase and shall at the time of exercise tender the full exercise price of the shares he or she has elected to purchase. The exercise notice shall be delivered to the Corporation in person, by certified mail, or by such other method (including electronic transmission) and in such form as determined by the Committee. The exercise price shall be paid in full, in cash, upon the exercise of the Option; provided, however, that in lieu of cash, with the approval of the Committee at or prior to exercise, an Optionee may exercise an Option by tendering to the Corporation shares of Common Stock owned by him or her and having a Fair Market Value equal to the cash exercise price applicable to the Option or by delivering such combination of cash and such shares as the Committee in its sole discretion may approve; further provided, however, that no such manner of exercise shall be permitted if such exercise would violate Section 402 of the Sarbanes-Oxley Act of 2002. Notwithstanding the foregoing, Common Stock acquired pursuant to the exercise of an Incentive Stock Option may not be tendered as payment unless the holding period requirements of Code Section 422(a)(1) have been satisfied, and Common Stock not acquired pursuant to the exercise of an Incentive Stock Option may not be tendered as payment unless it has been held, beneficially and of record, for at least six months (or such longer time as may be required by applicable securities law or accounting principles to avoid adverse consequences to the Corporation or a Participant).

(b) A person holding more than one Option at any relevant time may, in accordance with the provisions of the Plan, elect to exercise such Options in any order.

(c) At the request of the Participant and to the extent permitted by applicable law, the Committee may, in its sole discretion, selectively approve arrangements whereby the Participant irrevocably authorizes a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon the exercise of an Option and to remit to the Corporation a sufficient portion of the sales proceeds to pay the entire exercise price and any tax withholding required as a result of such exercise.

ARTICLE 8. EXERCISE OF VESTED OPTIONS FOLLOWING TERMINATION OF EMPLOYMENT OR SERVICE

8.1 Retirement; Other Termination by Corporation or Subsidiary; Change in Control. In the event of an Optionee’s termination of employment or service as a Non-Employee Director (i) due to Retirement, (ii) by the Corporation or a Subsidiary other than Termination for Cause, or (iii) due to a Change in Control, such Optionee’s right to exercise such Option, to the extent vested, shall lapse:

(a) in the case of an Incentive Stock Option, at the earlier of the expiration of the term of such option or three months from the date of such termination of employment; and

(b) in the case of a Nonqualified Stock Option, unless otherwise provided in an Agreement, three months from the date of such termination of employment or, in the discretion of the Committee, up to the remaining term of such Option.

8.2 Death or Disability. In the event of an Optionee’s termination of employment or service as a Non-Employee Director due to death or being “disabled” (within the meaning of Code Section 22(e)(3)), such Optionee’s right to exercise such Option, to the extent vested, shall lapse:

(a) in the case of an Incentive Stock Option, at the earlier of the expiration of the term of such Option or one year from the date of such termination of employment; and

(b) in the case of a Nonqualified Stock Option, unless otherwise provided in an Agreement, three months from the date of such termination of employment or, in the discretion of the Committee, up to the remaining term of such Option.

8.3 Termination For Cause; Other Termination by Optionee. In the event of an Optionee’s Termination For Cause, or in the event of the Optionee’s termination of employment or service as a Non-Employee Director at the election of an Optionee, such Optionee's right to exercise such Option shall lapse:

(a) in the case of an Incentive Stock Option, upon such termination of employment or, in the discretion of the Committee, up to three months from the date of such termination of employment; and

(b) in the case of a Nonqualified Stock Option, unless otherwise provided in an Agreement, upon such termination of employment or, in the discretion of the Committee, up to the remaining term of such Option.

8.4 Special Termination Provisions.

(a) In the event that an Optionee's employment or service as a Non-Employee Director is terminated by the Corporation or a Subsidiary and the Committee deems it equitable to do so, the Committee may, in its discretion and subject to the approval of a majority of the disinterested members of the Board, waive any Continuous Service requirement for vesting (but not any Performance Goal or Goals) specified in an Agreement pursuant to Section 7.1 and permit exercise of an Option held by such Optionee prior to the satisfaction of such Continuous Service requirement. Any such waiver may be made with retroactive effect, provided it is made within 60 days following the Optionee's termination of employment or service as a Non-Employee Director.

(b) In the event the Committee waives the Continuous Service requirement with respect to an Option as set forth in Section 8.4(a) above, such Option shall lapse:

(i) in the case of an Incentive Stock Option, at the earlier of the expiration of the term of such Option or three months from the date of termination of employment; and

(ii) in the case of a Nonqualified Stock Option, unless otherwise provided in an Agreement, three months from the date of such termination of employment or, in the discretion of the Committee, up to the remaining term of such Option.

ARTICLE 9. RESTRICTED AWARDS

9.1 In General. Each Restricted Award shall be subject to such terms and conditions as may be specified in the Agreement issued to a Participant to evidence the grant of such Award. A Restricted Award shall be subject to a vesting schedule and may be subject to one or more Performance Goals.

9.2 Minimum Vesting Period for Restricted Awards. Each Restricted Award granted to a Participant shall be fully exercisable (i.e., become 100% vested) only after the earlier of the date on which (i) the Participant has completed one year of Continuous Service with the Corporation or a Subsidiary immediately following the date that the Restricted Award was awarded (or such later date as may be specified in an Agreement, including a date that may be tied to the satisfaction of one or more Performance Goals); (ii) unless otherwise provided in an Agreement, a Change in Control occurs; (iii) unless otherwise provided in an Agreement, the Participant's death, or being "disabled" (within the meaning of Code Section 22(e)(3)) or (iv) unless otherwise provided in an Agreement, the Participant terminates Continuous Service due to Retirement.

9.3 Waiver of Vesting Period for Certain Restricted Awards. In the event that a Participant's Continuous Service is terminated and the Committee deems it equitable to do so, the Committee may, in its discretion and subject to the approval of a majority of the disinterested members of the Board, waive any minimum vesting period (but not any Performance Goal or Goals) with respect to a Restricted Award held by such Participant. Any such waiver may be made with retroactive effect, provided it is made within 60 days following such Participant's termination of employment.

9.4 Restricted Stock Awards

(a) Issuance and Retention of Share Certificates By Corporation. One or more share certificates shall be issued upon the grant of a Restricted Stock Award; but until such time as the Restricted Stock shall vest or otherwise become distributable by reason of satisfaction of a Continuous Service requirement and/or one or more Performance Goals, the Corporation shall retain such share certificates.

(b) Stock Powers. At the time of the grant of a Restricted Stock Award, the Participant to whom the grant is made shall deliver such stock powers, endorsed in blank, as may be requested by the Corporation.

(c) Shareholder Rights. Subject to any restrictions set forth in an Agreement, the Participant generally shall have the rights and privileges of a shareholder as to such Restricted Stock, include the right to vote such Restricted Stock and the right to receive dividends; provided that, any cash dividends and stock dividends with respect to the Restricted Stock shall be withheld by the Corporation for the Participant's account until released pursuant to subsection (d) below.

(d) Release of Shares. Within 30 days following the date on which a Participant becomes entitled under an Agreement to receive shares of previously Restricted Stock, the Corporation shall deliver to him or her a certificate evidencing the ownership of such shares, together with an amount of cash (without interest) equal to the dividends that have been paid on such shares with respect to record dates occurring on and after the date of the related Award.

(e) Forfeiture of Restricted Stock Awards. In the event of the forfeiture of a Restricted Stock Award, by reason of the termination of employment or service as a Non-Employee Director prior to vesting, the failure to achieve a Performance Goal or otherwise, the Corporation shall take such steps as may be necessary to cancel the affected shares and return the same to its treasury.

(f) Assignment, Transfer, Etc. of Restricted Stock Rights. The potential rights of a Participant to shares of Restricted Stock may not be assigned, transferred, sold, pledged, hypothecated, or otherwise encumbered or disposed of until such time as unrestricted certificates for such shares are received by him or her.

9.5 Restricted Stock Unit Awards

(a) The terms and conditions of a grant of Restricted Stock Units shall be reflected in an Award Agreement. No shares of Common Stock shall be issued at the time a Restricted Stock Unit is granted, and the Corporation will not be required to set aside a fund for the payment of any such Award.

(b) A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder.

(c) At the discretion of the Committee, each Restricted Stock Unit (representing one share of Common Stock) may be credited with cash and stock dividends paid by the Corporation in respect of one share of Common Stock ("Dividend Equivalents"). Dividend Equivalents shall be withheld by the Corporation for the Participant's account, and interest may be credited on the amount of cash Dividend Equivalents withheld at a rate and subject to such terms as determined by the Committee. Dividend Equivalents credited to a Participant's account and attributable to any particular Restricted Stock Unit (and earnings thereon, if applicable) shall be distributed in cash or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to the amount of such Dividend Equivalents and earnings, if applicable, to the Participant upon settlement of such Restricted Stock Unit and, if such Restricted Stock Unit is forfeited, the Participant shall have no right to such Dividend Equivalents.

(d) Upon the expiration of the Restricted Period with respect to any outstanding Restricted Stock Units, the Corporation shall deliver to the Participant, or his or her beneficiary, without charge, one share of Common Stock for each such outstanding Restricted Stock Unit ("Vested Unit") and cash equal to any Dividend Equivalents credited with respect to each such Vested Unit and the interest thereon or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to such Dividend Equivalents and the interest thereon, if any; *provided, however,* that, if explicitly provided in the applicable Award Agreement, the Committee may, in its sole discretion, elect to pay cash or part cash and part Common Stock in lieu of delivering only shares of Common Stock for Vested Units. If a cash payment is made in lieu of delivering shares of Common Stock, the amount of such payment shall be equal to the Fair Market Value of the Common Stock as of the date on which the vesting period lapsed with respect to each Vested Unit.

ARTICLE 10. ADJUSTMENT PROVISIONS

10.1 Share Adjustments.

(a) In the event that the shares of Common Stock of the Corporation, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Corporation, or if the number of such shares of Common Stock shall be changed through the payment of a stock dividend, stock split or reverse stock split, then

(i) the shares of Common Stock authorized hereunder to be made the subject of Awards, (ii) the shares of Common Stock then subject to outstanding Awards and the exercise price thereof (where relevant), (iii) the maximum number of Awards that may be granted within a 12-month period and (iv) the nature and terms of the shares of stock or securities subject to Awards hereunder shall be increased, decreased or otherwise changed to such extent and in such manner as may be necessary or appropriate to reflect any of the foregoing events.

(b) If there shall be any other change in the number or kind of the outstanding shares of the Common Stock of the Corporation, or of any stock or other securities into which such Common Stock shall have been changed, or for which it shall have been exchanged, and if a majority of the disinterested members of the Board shall, in its sole discretion, determine that such change equitably requires an adjustment in any Award which was theretofore granted or which may thereafter be granted under the Plan, then such adjustment shall be made in accordance with such determination.

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

10.2 <u>Corporate Changes</u>. A liquidation or dissolution of the Corporation, a merger or consolidation in which the Corporation is not the surviving Corporation or a sale of all or substantially all of the Corporation's assets, shall cause each outstanding Award to terminate, except to the extent that another corporation may and does, in the transaction, assume and continue the Award or substitute its own awards.

10.3 <u>Fractional Shares</u>. Fractional shares resulting from any adjustment in Awards pursuant to this article may be settled as the Committee shall determine.

10.4 <u>Binding Determination</u>. To the extent that the foregoing adjustments relate to stock or securities of the Corporation, such adjustments shall be made by a majority of the disinterested members of the Board, whose determination in that respect shall be final, binding and conclusive. Notice of any adjustment shall be given by the Corporation to each holder of an Award which shall have been so adjusted.

ARTICLE 11. GENERAL PROVISIONS

11.1 <u>Effective Date</u>. The Plan shall become effective upon the approval of the Plan by the shareholders of the Corporation within 12 months of adoption by the Board.

11.2 <u>Termination of the Plan</u>. Unless previously terminated by the Board, the Plan shall terminate on, and no Award shall be granted after, the day immediately preceding the tenth anniversary of the Plan's approval by the Corporation's shareholders.

11.3 Limitation on Termination, Amendment or Modification.

(a) The Board may at any time terminate, amend, modify or suspend the Plan, provided that, without the approval of the shareholders of the Corporation, no amendment or modification shall be made solely by the Board which:

(i) increases the maximum number of shares of Common Stock as to which Awards may be granted under the Plan (except as provided in Section 10.1);

(ii) changes the class of eligible Participants; or

(iii) otherwise requires the approval of shareholders under applicable state law or under applicable federal law to avoid potential liability or adverse consequences to the Corporation or a Participant.

(b) No amendment, modification, suspension or termination of the Plan shall in any manner negatively affect any Award theretofore granted under the Plan without the consent of the Participant or any person validly claiming under or through the Participant.

11.4 No Right to Grant of Award or Continued Employment or Service. Nothing contained in this Plan or otherwise shall be construed to (a) require the grant of an Award to a person who qualifies as an Employee or Non-Employee Director, or (b) confer upon a Participant any right to continue in the employ or service of the Corporation or any Subsidiary or limit in any respect the right, if any, of the Corporation or of any Subsidiary or the Board, as the case may be, to terminate the Participant's employment.

11.5 No Obligation. No exercise of discretion under this Plan with respect to an event or person shall create an obligation to exercise such discretion in any similar or same circumstance, except as otherwise provided or required by law.

11.6 Code Section 409A. This Plan is intended to be exempt from the provisions of Code Section 409A by reason of not being deemed a "nonqualified deferred compensation plan" within the meaning of Code Section 409A(d)(1). Each of the provisions of this Plan document, however, are qualified by reference to provisions of Code Section 409A, and the guidance promulgated thereunder, to the extent such section applies to this Plan. Notwithstanding anything herein to the contrary, if Code Section 409A is applicable the exercise of any discretionary authority and the implementation or carrying out of each other provision of the Plan shall be conditioned upon the conditions and limitations of Code Section 409A and compliance with its specific terms, as the same may have been interpreted by regulatory, case law, or other governing authority. Further, if this Plan or any Option granted hereunder is, or shall become subject to the provisions of Code Section 409A, each such affected Option shall be deemed exercised on the date it vests, or the date the Plan or such Option, as applicable, becomes subject to Code Section 409A; provided, however, that if an Optionee is unable to deliver the exercise price and required withholding taxes to the Corporation, such Optionee shall be paid in one lump sum as soon as practicable, to the extent permitted by tax, corporate, securities, and any other relevant laws, (a) the excess (if any) of the Fair Market Value of the Option at the relevant time over the exercise price, less (b) the required tax withholdings.

11.7 Withholding Taxes.

(a) Subject to the provisions of Subsection (b), the Corporation will require, where sufficient funds are not otherwise available, that a Participant pay or reimburse to it any withholding taxes at such time as withholding is required by law.

(b) With the permission of the Committee, a Participant may satisfy the withholding obligation described in Subsection (a), in whole or in part, by electing to have the Corporation withhold shares of Common Stock (otherwise issuable to him or her) having a Fair Market Value equal to the amount required to be withheld. An election by a Participant to have shares withheld for this purpose shall be subject to such conditions as may then be imposed thereon by any applicable securities law.

11.8 Listing and Registration of Shares.

(a) No Option granted pursuant to the Plan shall be exercisable in whole or in part, and no share certificate shall be delivered, if at any relevant time a majority of the disinterested members of the Board shall determine in its discretion that the listing, registration or qualification of the shares of Common Stock subject to an Award on any securities exchange or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, such Award, until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to a majority of the disinterested members of the Board.

(b) If a registration statement under the Securities Act with respect to the shares issuable under the Plan is not in effect at any relevant time, as a condition of the issuance of the shares, a Participant (or any person claiming through a Participant) shall give the Committee a written or electronic statement, satisfactory in form and substance to the Committee, that he or she is acquiring the shares for his or her own account for investment and not with a view to their distribution. The Corporation may place upon any stock certificate for shares issued under the Plan the following legend or such other legend as the Committee may prescribe to prevent disposition of the shares in violation of the Securities Act or other applicable law:

> 'THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 ("ACT") AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT WITH RESPECT TO THEM UNDER THE ACT OR A WRITTEN OPINION OF COUNSEL FOR THE CORPORATION THAT REGISTRATION IS NOT REQUIRED.'

11.9 Disinterested Director. For purposes of this Plan, a director shall be deemed "disinterested" if such person could qualify as a member of the Committee under Section 3.1.

11.10 Clawback. Notwithstanding any other provisions in this Plan, any Award which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Corporation pursuant to any such law, government regulation or stock exchange listing requirement).

11.11 Beneficiary Designation. Each Participant under the Plan may from time to time name any beneficiary or beneficiaries by whom any right under the Plan is to be exercised in case of such Participant's death. Each designation will revoke all prior designations by the same Participant, shall be in a form reasonably prescribed by the Committee and shall be effective only when filed by the Participant in writing with the Corporation during the Participant's lifetime.

11.12 Gender; Number. Words of one gender, wherever used herein, shall be construed to include each other gender, as the context requires. Words used herein in the singular form shall include the plural form, as the context requires, and vice versa.

11.13 Applicable Law. Except to the extent preempted by federal law, this Plan document, and the Agreements issued pursuant hereto, shall be construed, administered, and enforced in accordance with the domestic internal law of the Commonwealth of Pennsylvania.

11.14 Headings. The headings of the several articles and sections of this Plan document have been inserted for convenience of reference only and shall not be used in the construction of the same.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is dated as of September ___, 2017, by and among Meridian Bank, a Pennsylvania banking institution (the "Company") which has its principal place of business at 9 Old Lincoln Highway, Malvern, Pennsylvania 19355, and Christopher J. Annas (the "Executive").

WHEREAS, Executive and the Company are parties to that certain **[Amended and Restated]** Employment Agreement dated as of [______________] (the "Prior Agreement");

WHEREAS, Executive and the Company wish to terminate the Prior Agreement and enter into this Agreement.

NOW THEREFORE, the parties hereto agree as follows:

1. Termination of Prior Agreement; Term of Agreement; Restrictions on Payment.

1.1 Termination of Prior Agreement. Effective as of the date hereof (the "Effective Date"), the Prior Agreement shall be terminated and no longer have any force or effect. This Agreement shall supersede the Prior Agreement in its entirety, and each party to the Prior Agreement shall have no further obligations under the Prior Agreement. Executive hereby acknowledges and agrees that the Executive is not entitled to any payments, benefits or anything else of value (including, but not limited to, the acceleration of any payments, awards or other benefits) under the Prior Agreement as a result of, or in connection with, the termination thereof.

1.2 Term. The Company hereby employs the Executive, and the Executive hereby accepts such employment, for a term commencing as of the Effective Date and ending on December 31, 2020, with such arrangement to continue for successive one-year periods in accordance with the terms of this Agreement unless the Company or the Executive notifies the other of non-renewal in writing prior to three (3) months before the expiration of the initial term and each annual renewal, as applicable. (The period during which the Executive provides services hereunder being hereinafter referred to as the "Term.") Notwithstanding the foregoing, the Executive's employment may be terminated during the Term in accordance with Sections 4 and 5. In the event that such notice is provided by Executive or the Company, the Company may require in its sole discretion that Executive cease reporting to work and/or to cease performing duties, in whole or in part, during all or any portion of said notice period.

1.3 Special Termination Provisions. If (i) the Company is in default, as defined in Section (3)(x)(1) of the Federal Deposit Insurance Act, (ii) the Federal Deposit Insurance Corporation (or its successor) (the "FDIC") or a court appoints a conservator or receiver for the Company or (iii) the Pennsylvania Department of Banking takes possession of the Company, then all obligations of the Company under this Agreement (other than any vested rights of the Executive) shall be terminated, except, to the extent it is determined that continuation of the Agreement is necessary for the continued operation of the Company:

(a) by the Board of Directors (the "FDIC Board") of the FDIC or its designee, at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Company under the authority of the Federal Deposit Insurance Act; or

(b) by the FDIC Board or its designee, at the time the FDIC Board or its designee approves a supervisory merger to resolve problems relating to the operation of the Company or when the Company is determined by the FDIC Board or its designee to be in an unsafe or unsound condition.

1.4 Regulatory Payment Restrictions. If any payment hereunder is determined by the Compensation Committee of the Board (in its reasonable discretion) to violate any regulatory requirement applicable to the Company, the Company may decline to make such payment or amend the amount or timing of such payment to comply with such regulatory requirements, including the requirements of 12 U.S.C. 1828(k) and 12 C.F.R. part 359, which shall not constitute a breach of this Agreement. The application of this Section 1.4 shall not constitute a termination this Agreement or the Term, or "Good Reason" under this Agreement and shall not entitle Executive to any payments or benefits under this Agreement, including but not limited to the termination payments set forth in Section 5.2.

2. Duties, Positions and Related Matters.

2.1 Duties and Positions. During the Term, the Executive shall (a) be employed by the Company as its President and Chief Executive Officer, and (b) have and perform all duties and responsibilities that are commensurate with such positions, including those that are assigned to Executive by the Board of Directors of the Company (the "Board"). Executive shall receive no additional compensation or benefits in respect of his service as a member of any board of directors of the Company or any Affiliate. Upon the termination of the Term, Executive shall resign as a member of the Board and as an officer, director and manager of the Company and any other Affiliate. As used throughout this Agreement, "Affiliate" or "Affiliates" means any party controlled by, under the control of, or under common control with, the Company.

2.2 Outside Activities. During the Term, and excluding any periods of vacation and sick leave to which the Executive may be entitled, the Executive agrees to devote his best efforts and full business time and attention to the business and affairs of the Company. Notwithstanding the foregoing, during the Term, upon the prior written approval of the Compensation Committee of the Board (which shall not be unreasonably withheld), Executive may (A) serve on boards, committees or similar bodies of charitable or nonprofit organizations, (B) fulfill limited speaking engagements and (C) manage his personal investments, in each case, so long as such activities do not materially interfere or conflict with the performance of the Executive's duties and responsibilities under this Agreement.

2.3 Location. The Executive's employment will be at the Company's principal offices, currently located in Malvern, Pennsylvania, except for travel to other locations as may be necessary to fulfill Executive's duties and responsibilities hereunder.

3. Compensation.

3.1 Base Salary. The Company shall pay the Executive during the Term a base salary at a minimum rate of $425,000 per annum beginning on the Effective Date (the "Base Salary"), in accordance with the customary payroll practices of the Company applicable to senior executives. The Compensation Committee of the Board may periodically review the Executive's Base Salary and may provide for such increases therein as it may, in its discretion, deem appropriate. (Any such increased base salary shall constitute the "Base Salary" as of the time of the increase.)

3.2 Performance Bonus. During the Term, in addition to the Base Salary, for each fiscal year of the Company ending during the Term, the Executive shall have the opportunity to receive an annual bonus in an amount and on such terms to be determined by the Compensation Committee of the Board ("Performance Bonus"). For the calendar year ending December 31, 2017, the Performance Bonus opportunity shall be $100,000. Whether any Performance Bonus is awarded to the Executive for said period or thereafter, the amount thereof, or whether the Performance Bonus opportunity should be increased (including with respect to said period), shall be determined by the Compensation Committee of the Board in its sole discretion. The Compensation Committee of the Board shall further have the discretion to grant Executive other bonuses in such amounts and on such terms as it shall determine in its sole discretion. Nothing contained in the foregoing shall limit the Executive's eligibility to receive any other bonus under any other bonus plan, stock option or equity–based plan, or other policy or program of the Company.

3.3 Equity Incentive Compensation. Executive shall be entitled to participate in any equity compensation plan of the Company in which he is eligible to participate, and may, without limitation, be granted in accordance with any such plan options to purchase shares of the Company's common stock ("Common Stock"), shares of restricted stock, and/or other equity awards in the discretion of the Compensation Committee of the Board.

3.4 Benefits. The Executive shall be permitted during the Term to participate in any group life, hospitalization or disability insurance plans, health programs, retirement plans, fringe benefit programs and other benefits and perquisites that may be available to other senior executives of the Company generally, in each case to the extent that the Executive is eligible under the terms of such plans or programs (collectively, the "Benefits Plans").

3.5 Vacation. During the Term, the Executive shall be entitled to vacation of no less than 25 business days per year, to be credited in accordance with ordinary Company policies.

3.6 Expenses. The Company shall pay or reimburse the Executive for all ordinary and reasonable out-of-pocket expenses actually incurred (and, in the case of reimbursement, paid) by the Executive during the Term in the performance of the Executive's services under this Agreement, in accordance with the Company's policies regarding such reimbursements. The Company shall also pay or reimburse the Executive for all attorneys' fees and other charges of counsel reasonably incurred by the Executive in connection with the negotiation and execution of this Agreement, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company, up to the amount of $5,000.

3.7 Supplemental Executive Retirement Deferred Compensation Plan. The Executive shall continue to be eligible to participate in the Supplemental Executive Retirement Deferred Compensation Plan adopted by the Company effective January 1, 2009 (as such plan may be amended from time to time in accordance with its terms).

3.8 Clawback. Executive agrees that the compensation and benefits provided by the Company under this Agreement or otherwise are subject to recoupment or clawback (i) under any applicable Company clawback or recoupment policy that is generally applicable to the Company's executives, as may be in effect from time to time, or (ii) as required by law. Executive acknowledges that any such policy applies to compensation and benefits previously provided and that the Compensation Committee of the Board has discretion regarding applying the policy to compensation and benefits provided to Executive. Executive's failure to timely make any repayment required by law or under any such policy shall constitute Executive's material breach of this Agreement.

4. Termination upon Death or Disability. If the Executive dies during the Term, the Term shall terminate as of the date of death, and the obligations of the Company to or with respect to the Executive shall terminate in their entirety upon such date except as otherwise provided under this Section 4. If, during the Term, the Executive is unable to perform substantially and continuously the duties assigned to him due to a disability (as defined for purposes of the Company's long-term disability plan then in effect or, if no such plan is in effect, by virtue of Executive's ill health or other disability of Executive) for more than 180 consecutive or non-consecutive days out of any consecutive 12-month period, the Company shall have the right, to terminate the Term and the employment of the Executive upon notice in writing to the Executive. Upon termination of the Term and the Executive's employment due to death or disability during the Term, the Executive (or the Executive's estate or beneficiaries in the case of the death of the Executive) shall be entitled to receive (A) any Base Salary earned through the date of termination, (B) any Performance Bonus determined by the Company to be earned and payable, but not yet paid in respect of any fiscal year completed before the date of termination, (C) all other rights and benefits earned and accrued or vested under this Agreement or under any plan, program, agreement, corporate governance document or arrangement of the Company ("Company Arrangements") prior to the date of termination, and (D) reimbursement under this Agreement for expenses incurred prior to the date of termination, in each case in accordance with the terms and conditions applicable thereto (clauses (A) through (D) collectively, the "Accrued Benefits"). Executive (or the Executive's estate or beneficiaries in the case of the death of the Executive) shall have no further rights to any other compensation or benefits hereunder, or any other rights hereunder (but, for the avoidance of doubt, shall receive such disability and death benefits as may be provided under the Company Arrangements in accordance with their terms).

5. Certain Terminations of Employment; Certain Benefits.

5.1 Termination by the Company for Cause; Termination by the Executive without Good Reason.

(a) For purposes of this Agreement, "Cause" shall mean the Executive's:

(i) commission of, or charge or indictment for (or formal admission to) a felony, or commission of and indictment for (or formal admission to) any crime of moral turpitude, dishonesty, breach of trust or unethical business conduct, or any crime involving the Company;

(ii) engagement in fraud, misappropriation or embezzlement or other conduct which is injurious to the Company or that harms the reputation or financial position of the Company;

(iii) disqualification, bar, order or similar requirement by any governmental regulatory authority from serving as an officer or director of the Company or the imposition of any cease and desist or similar order or directive by any governmental regulatory authority with regard to Executive's duties or responsibilities as an officer or director of the Company;

(iv) obstruction or imposition of, attempting to influence, obstruct or impede, or failing to cooperate with, any investigation authorized by the Board or any governmental regulatory authority with regard to the Company;

(v) gross negligence in the performance of his duties or continued failure to perform his duties with the Company (other than any such failure resulting from the Executive's disability);

(vi) failure to materially adhere to the directions of the Board or the Company's written policies and practices;

(vii) breach of Executive's fiduciary duties to the Company; or

(viii) material breach of any of the provisions of Section 3.8 or Section 6;

provided, that the Company shall not be permitted to terminate the Executive for Cause pursuant to clauses (v) or (vi) above, unless (A) the Company has delivered a written notice to the Executive describing the event purporting to give rise to a termination for Cause within 30 days following the occurrence of any event described in clauses (v) or (vi) above (if the Board determines that the event is capable of being cured), and (B) the Board has made a determination that Cause exists (after the Executive has been provided with a 30-day opportunity to cure the event described in clauses (v) or (vi) above (if the Board determines that the event is capable of being cured)), or with the opportunity to contest the determination at a meeting of the Board) after 30 days following (but not more than 90 days following) the date the written notice described in clause (A) has been given.

(b) The Company may terminate the Term and the Executive's employment hereunder for Cause with no notice (other than that set forth above), and the Executive may terminate the Term and his employment hereunder other than for Good Reason on at least 90 days' written notice given to the Company. If the Company terminates the

Executive for Cause, or the Executive terminates his employment and the termination by the Executive is not for Good Reason in accordance with Section 5.2, (i) the Executive shall receive the Accrued Benefits; and (ii) the Executive shall have no further rights to any other compensation or benefits under this Agreement on or after the termination of employment. Unless the payment is required to be delayed pursuant to Section 7.14(b) below, the cash amounts payable to the Executive under this Section 5.1(b) shall be paid to the Executive in a single-sum payment by wire transfer of immediately available funds within 60 days following the date of his termination of employment with the Company pursuant to this Section 5.1(b). In the event that notice is provided by Executive or the Company, the Company may require in its sole discretion that Executive cease reporting to work and/or to cease performing duties, in whole or in part, during all or any portion of said notice period.

5.2 Termination by the Company without Cause; Termination by the Executive for Good Reason.

(a) For purposes of this Agreement, "Good Reason" shall mean, unless otherwise consented to by the Executive:

(i) a material diminution of the Executive's title, authority, duties or responsibilities, or the assignment to the Executive of duties materially inconsistent with the Executive's position or positions as President and Chief Executive Officer of the Company (except that placing Executive on a paid leave for up to 60 days during the course of an investigation involving Executive shall not constitute Good Reason);

(ii) a reduction in Base Salary to a rate of less than $425,000 per annum; or

(iii) the requirement that Executive relocate his office to a location that is more than 50 miles outside of Malvern, Pennsylvania;

provided, that the Executive shall not be permitted to terminate his employment with Good Reason unless (A) the Executive has given written notice to the Company of such awareness or constructive awareness within 30 days thereof, stating in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment, that Executive intends to resign for Good Reason as a result thereof, and the date of termination if the condition is not corrected, (B) the Company has not cured such event within 30 days following its receipt of the Executive's written notice, and (C) the Executive has provided a separate written notice of termination within 30 days following the end of the cure period provided in clause (B) above.

(b) The Company may terminate the Term and the Executive's employment hereunder without Cause on at least 30 days' written notice given to the Executive, and the Executive may terminate the Term and the Executive's employment with the Company for Good Reason with the notice set forth above. In the event that such notice is provided by Executive or the Company, the Company may require in its sole discretion that Executive cease reporting to work and/or to cease performing duties, in whole or in part, during all or any portion of said notice period. Subject to Section 5.3, if the Company terminates Executive's employment hereunder without Cause (other than under Section 4), or the Executive terminates his employment for Good Reason, in either case during the Term, then, in either such case, without duplication and subject to the requirements of Section 5.5 below:

(i) the Executive shall receive the Accrued Benefits;

(ii) the Executive shall receive a single-sum payment by wire transfer of immediately available funds in an amount equal to 200% of the Executive's Base Salary and Performance Bonus opportunity in effect (if any) at the time of such termination; and

(iii) subject to Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), and Executive's continued copayment of premiums at the same level and cost to the Executive as if the Executive were an employee of the Company (excluding, for purposes of calculating cost, an employee's ability to pay premiums with pre-tax dollars), the Company shall pay the same share of the premium it would have paid as if Executive were an employee of the Company, for continued participation in the Company's group health plan (to the extent permitted under applicable law and the terms of such plan) which covers Executive for a period of 12 months at the Company's expense, provided that Executive is eligible and remains eligible for COBRA coverage; and provided, further, that in the event that Executive obtains other employment that offers group health benefits, such COBRA payment by the Company shall immediately cease.

Unless the payment is required to be delayed pursuant to Section 7.14(b) below, the cash amounts payable to the Executive under this Section 5.2(b) (other than Section 5.2(b)(iv)) shall be paid to the Executive within 60 days following the date of his termination of employment with the Company pursuant to this Section 5.2(b). In the event that the 60 day period following such termination spans two calendar years, the amounts payable to Executive under this Section 5.2(b) shall be paid in the later calendar year.

For the avoidance of doubt, neither (a) the termination of the Company's obligations and/or Executive's employment under this Agreement pursuant to Section 1.3, nor (b) following a notification of non-renewal under Section 1.2, a termination of Executive's employment at or after the expiration of the initial term or any annual renewal thereof, shall: (i) constitute a termination without Cause, (ii) constitute Good Reason, or (c) entitle Executive to any payment or other benefit under this Agreement.

5.3 Change of Control. In the event of a "Change of Control" (as defined below) during the Term, if the Executive terminates his employment with the Company for Good Reason or the Company terminates Executive's employment with the Company without Cause, in each case, within twelve (12) months following the date of a Change of Control that occurs during the Term, then, without duplication and subject to the requirements of Section 5.5 below:

(i) the Executive shall receive the Accrued Benefits;

(ii) the Executive shall receive a single-sum payment by wire transfer of immediately available funds in an amount equal to 300% of the Executive's Base Salary and Performance Bonus opportunity in effect (if any) at the time of such termination; and

(iii) subject to Executive's timely election of COBRA, and Executive's continued copayment of premiums at the same level and cost to the Executive as if the Executive were an employee of the Company (excluding, for purposes of calculating cost, an employee's ability to pay premiums with pre-tax dollars), the Company shall pay the same share of the premium it would have paid as if Executive were an employee of the Company, for continued participation in the Company's group health plan (to the extent permitted under applicable law and the terms of such plan) which covers Executive for a period of 12 months at the Company's expense, provided that Executive is eligible and remains eligible for COBRA coverage; and provided, further, that in the event that Executive obtains other employment that offers group health benefits, such COBRA payment by the Company shall immediately cease.

For purposes of this Agreement, "Change of Control" shall mean the happening of any of the following:

(a) any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), but excluding Executive, any Family Member of Executive, or any entity or person controlling, controlled by or under common control with Executive, any Family Member of Executive, the Company, any employee benefit plan of the Company or any such entity, and any "group" (as such term is used in Section 13(d)(3) of the Exchange Act) of which any of the foregoing persons or entities is a member (a "Related Person or Entity"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of either (i) the combined voting power of the Company's then outstanding securities or (ii) the then outstanding Common Stock (in either such case other than as a result of an acquisition of securities directly from the Company) (for purposes hereof, "Family Member" means (x) a person's spouse, parent, sibling and descendants (whether natural or adopted), (y) any family limited partnership, limited liability company or other entity wholly owned, directly or indirectly, by such person and/or such person's spouse, parent, sibling and/or descendants (whether natural or adopted), and (z) any estate or trust for the benefit of such person and/or such person's spouse, parent, sibling and/or descendants (whether natural or adopted));

(b) any consolidation or merger of the Company, other than with or into a Related Person or Entity, where the shareholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, shares representing in the aggregate 50% or more of the combined voting power of the securities of the entity issuing cash or securities in the consolidation or merger (or of its ultimate parent entity, if any);

(c) there shall occur (i) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company, other than a sale or disposition by the Company of all or substantially all of the Company's assets to (x) an entity, at least 50% of the combined voting power of the voting securities of which are owned by "persons" (as defined above) who beneficially hold shares of Common Stock immediately prior to such sale, or (y) a Related Person or Entity, or (ii) the approval by shareholders of the Company of any plan or proposal for the liquidation or dissolution of the Company, as applicable; or

(d) members of the Board at the beginning of any consecutive 12-calendar-month period (the "Incumbent Directors") cease for any reason, other than due to death, disability or compliance with any policy adopted by the Board regarding mandatory retirement age, to constitute at least a majority of the members of the Board; provided that any director whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the members of the Board then still in office who were members of the Board at the beginning of such 12-calendar-month period, shall be deemed to be an Incumbent Director;

provided, however, that, in no event shall a Change of Control be deemed to have occurred upon a public offering of the Common Stock under the Securities Act of 1933, as amended.

5.4 Parachutes.

(a) In the event that any payment or benefit received or to be received by Executive under this Agreement (all such payments and benefits being hereinafter referred to as the "Total Payments") would not be deductible (in whole or part) by the Company as a result of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), then, to the extent necessary to make such portion of the Total Payments deductible, the portion of the Total Payments that do not constitute deferred compensation within the meaning of Section 409A of the Code shall first be reduced (if necessary, to zero), and all other Total Payments shall thereafter be reduced (if necessary, to zero), with cash payments being reduced before non-cash payments, and payments to be paid last being reduced first, but only if (i) the amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments) is greater than or equal to (ii) the amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of the excise tax imposed under Section 4999 of the Code (the "Excise Tax") on such unreduced Total Payments).

(b) For purposes of this limitation, (i) no portion of the Total Payments the receipt or enjoyment of which Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code shall be taken into account; (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to Executive and selected by the accounting firm which was, immediately prior to the Change of Control, the Company's independent auditor (the "Auditor"), does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code, including by reason of Section 280G(b)(4)(A) of the Code; (iii) the severance payments payable to Executive pursuant to this Agreement shall be reduced only to the extent necessary so that the Total Payments (other than those referred to in clauses (i) or (ii) of this paragraph) in their entirety constitute reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4)(B) of the Code or are otherwise not subject to disallowance as deductions by reason of Section 280G of the Code, in the opinion of Tax Counsel; and (iv) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

5.5 Execution of Release. The Executive acknowledges that all payments and benefits due under this Section 5 (other than the Accrued Benefits) are subject to his execution and delivery to the Company of an effective agreement including a release of claims in a form prescribed by the Company (the "Termination Agreement") within twenty-one (21) days (or, in the Company's sole discretion, forty-five (45) days) following his cessation of employment, and the additional requirements that that Executive not revoke such Termination Agreement during any applicable revocation period, and continue to comply with Section 6 of this Agreement. The Termination Agreement shall include a general release of any and all rights and claims against the Company and any other persons or entities designated by the Company, that are in existence at the time of signing the Termination Agreement, whether they are known or not known by Executive, and, in the Company's sole discretion, provisions requiring Executive: not to disparage or defame the Company, the other persons or entities released, and/or their respective products and services; to keep the Termination Agreement confidential; to comply with his obligations under this Agreement; and to reasonably cooperate with the Company in transitioning business matters and handling claims and litigation. If Executive fails to execute such Termination Agreement, or such Termination Agreement does not become irrevocable, all such payments and benefits set forth in this Section 5 (other than the Accrued Benefits) shall not be due or payable.

5.6 No Mitigation. The Executive shall be under no obligation to seek other employment or to otherwise mitigate the obligations of the Company under this Agreement.

6. Covenants of the Executive.

6.1 Confidentiality/Trade Secrets. The Executive acknowledges that (i) **[the primary business of the Company is providing banking services to businesses, professionals and retail customers in the [the counties that comprise the Delaware Valley]** (the "Business"); (ii) the Business is highly competitive; (iii) the Executive's work for the Company has given and will continue to give him access to the confidential affairs and proprietary information of the Company; (v) the covenants and agreements of the Executive contained in this Section 6 are essential to the business and goodwill of the Company; and (vi) the Company would not have entered into this Agreement but for the covenants and agreements set forth in this Section 6. Accordingly, the Executive covenants and agrees during and after the period of the Executive's employment at any time with the Company and its affiliates, the Executive (x) shall keep secret and retain in strictest confidence all confidential matters relating to the Company's Business and the business of any of its affiliates and to the Company and any of its affiliates, learned by the Executive heretofore or hereafter directly or indirectly from the Company or any of its Affiliates (the "Confidential/Trade Secret Information"), and (y) shall not disclose such Confidential/Trade Secret Information to anyone outside of the Company except with the Company's express written consent and except for Confidential/Trade Secret Information which is at the time of receipt or thereafter becomes publicly known through no wrongful act of the Executive or is received from a third party not under an obligation to keep such information confidential and without breach of this Agreement. Nothing in this Agreement is intended to or shall be interpreted: (x) to restrict or otherwise interfere with Executive's obligation to testify truthfully in any forum; or (y) to restrict or otherwise interfere with Executive's right and/or obligation to contact, cooperate with, provide information in confidence to, or testify or otherwise participate in any action, investigation or proceeding of, any government agency, commission or entity, including but not limited to the Equal Employment Opportunity Commission or the Securities and Exchange Commission. In addition, the Defend Trade Secrets Act of 2016 (the "Act") provides that: "(1) An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that – (A) is made – (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." The Act further provides that: "(2) An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual – (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order."

6.2 Noncompetition/Nonsolicitation.

(a) During Executive's employment with the Company or any Affiliate and a period of two years following the end of said employment, regardless of the reason said employment ends, Executive shall not, directly or indirectly, own, be financially interested in, manage, operate, control, engage in, be employed by (whether as an employee, consultant, independent contractor or otherwise, and whether or not for compensation) or otherwise render services to or on behalf of, any person or business entity or organization, of whatever form, that competes with the Company or any of its Affiliates anywhere in the **[counties that comprise the Delaware Valley]** or anywhere else where the Company or any of its Affiliates is then doing business or planning to do business, including but not limited to, by way of example only, **[to be inserted]**. It is agreed and acknowledged that various financial technology services and/or products (commonly referred to as "fintech") compete with the services and/or products provided by the Company.

(b) For a period of two years following the end of the Term, regardless of the reason the Term of this Agreement ends, Executive shall not, directly or indirectly:

(i) Direct or do any act or thing which may interfere with or adversely affect the relationship (contractual or otherwise) of the Company or any Affiliate with any Customer, Prospective Customer, vendor or contractor of the Company or any Affiliate, or otherwise induce or attempt to induce any Customer or Prospective Customer to cease doing business, not do business, reduce or otherwise limit its business with the Company or any Affiliate;

(ii) Solicit, aid or induce any Customer or Prospective Customer of the Company or any Affiliate to purchase goods or services then sold by the Company or any Affiliate from another person, firm, corporation or other entity or assist or aid any other persons or entity in identifying or soliciting any such Customer or Prospective Customer;

(iii) Conduct business with or accept business from any Customer or Prospective Customer, directly in competition with the Company or any Affiliate, or on behalf of any person or entity that is a competitor of the Company or any Affiliate;

(iv) Solicit, encourage, recruit or attempt to persuade any person to terminate his or her employment with the Company or any Affiliate, whether or not such employment is pursuant to a written agreement or is at-will; or

(v) Employ, retain or establish a business relationship with, or encourage or assist any person or entity to employ or establish a business relationship with, any individual who was employed by the Company or any Affiliate at any time during the preceding twelve-month period.

For purposes of the this Agreement: (i) "Customer" shall mean those persons or entities for whom or which the Company or any Affiliate performed services or to whom or which the Company or any Affiliate sold or licensed products, during the prior two (2) years; and "Prospective Customer" shall mean persons or entities whose business was solicited by the Company or any Affiliate during the during the prior two (2) years.

(c) The Executive specifically acknowledges that the temporal and geographical limitations hereof, in view of the nature of the Business, are reasonable and necessary to protect the Company's legitimate business interests.

6.3 Return of Company Property. Executive acknowledges that all materials (including, without limitation, documents, drawings, models, apparatus, sketches, designs, lists, and all other tangible media of expression) furnished to Executive by Company or any Affiliate or that Executive creates or obtains in connection with his employment shall remain the property of Company. On termination of Executive's employment with Company for whatever reason, or at the request of Company before termination, Executive agrees to promptly deliver to Company all records, files, computer disks, memoranda, documents, lists, materials and other information, whether or not they contain any Confidential/Trade Secret Information, including all copies, reproductions, summaries or excerpts thereof, then in Executive's possession or control, whether prepared by Executive or others. Executive also agree to promptly return, upon termination or at any time upon Company's request, any and all Company or Affiliate property issued to Executive, including, but not limited to, computers, tablets, facsimile transmission equipment, cellular phones, keys and credits cards, disks, drives or other electronic storage devices. Executive further agrees to download all Company-related electronically stored information (including but not limited to emails) from any personal computer and/or other storage devices or equipment, personal email accounts or cloud storage, and return all downloaded material or otherwise electronically stored information and completely remove all such electronically stored information from the hard drive of such personal computer and/or all other storage devices, personal email accounts or cloud storage, and certify in writing to the Company that Executive has done so.

6.4 Rights and Remedies upon Breach. Executive acknowledge and agree that the Company's and Affiliates' remedies at law for a breach or threatened breach of any of the provisions of Sections 6.1, 6.2 or 6.3 of this Agreement would be inadequate and, in recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company and the Affiliates, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available, including an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights shall be cumulative and in addition to any other rights or remedies to which the Company and the Affiliates may be entitled. In the event of a breach or alleged breach by Executive of any of the provisions of Section 6.2, the restrictions contained in Section 6.2 shall be extended by a period of time equal to the period of such breach, it being the intention of the parties hereto that the running of the restriction period shall be tolled until such breach is resolved (including the period of any court proceedings necessary to stop such violation). Executive agree that the Affiliates are third party beneficiaries of this Agreement.

6.5 Cooperation. Upon the receipt of reasonable notice from the Company (including outside counsel), Executive agrees that while employed by the Company and thereafter, Executive shall respond and provide information with regard to matters in which Executive has knowledge as a result of Executive's employment with the Company, and will provide reasonable assistance to the Company any of the Affiliates, and its representatives in defense of any claims that may be made against the Company or the Affiliates, and will assist the Company or the Affiliates in the prosecution of any claims that may be made by the Company or the Affiliates, to the extent that such claims may relate to the period of Executive's employment with the Company. Executive agrees to promptly inform the Company if Executive becomes aware of any lawsuits that may be filed or threatened against the Company or the Affiliates. Executive also agrees to promptly inform the Company (to the extent that Executive is legally permitted to do so) if the Executive is asked to assist in any investigation of the Company or the Affiliates, regardless of whether a lawsuit or other proceeding has then been filed against the Company or the Affiliates with respect to such investigation. Upon presentation of appropriate documentation, the Company shall pay or reimburse Executive for all reasonable out-of-pocket travel, duplicating or telephonic expenses incurred by the Executive in complying with this Section 6.5.

7. Other Provisions.

7.1 Severability. The Executive acknowledges and agrees that (i) he has had an opportunity to seek advice of counsel in connection with this Agreement and (ii) Section 6.2 is reasonable in geographical and temporal scope and the other restrictions and requirements of this Agreement are reasonable in all other respects. If it is determined that any of the provisions of this Agreement or any part thereof, is determined by a court or arbitrator of competent jurisdiction to be invalid or unenforceable, the remainder of the provisions of this Agreement shall not thereby be affected and shall be given full effect, without regard to the invalid portions.

7.2 Duration and Scope of Covenants. If any court or arbitrator of competent jurisdiction determines that any of the Executive's covenants contained in this Agreement is unenforceable because of the duration or geographical scope of such provision, then, after such determination has become final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

7.3 Enforceability; Jurisdiction; Arbitration. All disputes, claims, or controversies arising out of or in connection with Executive's business relationship with the Company and any Affiliate, including but not limited to under this Agreement (except claims by Executive, the Company or any Affiliate with respect to Sections 6.1, 6.2 or 6.3, including for injunctive relief or declaratory judgment) including but not limited to those concerning workplace discrimination and all other statutory claims, shall be finally settled by arbitration before a single arbitrator who shall be a member of and recognized by the American Arbitration Association (the "AAA") in accordance with the AAA Employment Arbitration Rules and Mediation Procedures then in effect. Any arbitration commenced by either party shall be held in Philadelphia, Pennsylvania. The requirement to arbitrate does not apply to the filing of an employment related claim, dispute or controversy with a federal, state or local administrative agency. However, Executive understands that by entering into this Agreement, Executive is waiving Executive's right to have a court and a jury determine Executive's rights, including under federal, state and local statutes prohibiting employment discrimination, including sexual harassment and discrimination on the basis of age, sex, race, color, religion, national origin, disability, veteran status or any other factor prohibited by governing law. The decision of the arbitrator shall contain findings of fact and conclusions of law, shall be final and binding, and shall not be appealable upon any grounds other than as permitted pursuant to the Federal Arbitration Act. The award, in the arbitrator's discretion, may include reasonable attorney's fees and costs. Judgment on the award may be entered, confirmed and enforced in any court of competent jurisdiction. There shall be no right or authority for any disputes, claims or controversies to be arbitrated on a class action or collective action basis or together with the claim of any other person.

7.4 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by facsimile or E-mail (having obtained electronic delivery confirmation thereof), or by registered or certified mail (postage prepaid, return receipt requested) to the other party as follows:

If to the Company, to:

Meridian Bank
9 Old Lincoln Highway
Malvern, PA 19355
Attention:
Facsimile:
E-mail:

If to the Executive, to the most recent home address on file;

With a copy (which shall not constitute notice) to:

____
____
____

Facsimile:
E-mail:

Any such person may by notice given in accordance with this Section 7.4 to the other parties hereto designate another address or person for receipt by such person of notices hereunder.

7.5 Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto, including, but not limited to, the Prior Agreement.

7.6 Waivers and Amendments. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by all parties. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege nor any single or partial exercise of any such right, power or privilege, preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

7.7 Governing Law and Forum. This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to any conflict of law provisions and without the aid of any canon, custom or rule of law requiring or suggesting construction against the drafter. Any court action instituted by Executive or on his behalf relating in any way to this Agreement or his employment with the Company shall be filed exclusively in federal or state court in Pennsylvania and Executive consents to the jurisdiction and venue of these courts in any action instituted by the Company against him. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

7.8 Assignment. This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of the Company, the Affiliates, and all and singularly, their successors and assigns. The Company may assign this Agreement to any Affiliate or to a successor to some or all of the business and/or assets of the Company, provided that the Company shall require such Affiliate or successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such assignment had taken place. Executive hereby agrees to and authorizes any such assignment by the Company. As used in this Agreement, in the event of an assignment of this Agreement, "Company" shall mean the Company and any successor to its business and/or assets, or any Affiliate, which assumes and agrees to perform the duties and obligations of the Company under this Agreement by operation of law or otherwise. Notwithstanding anything in this Agreement to the contrary, the Executive shall not be entitled to any payment or benefits under Sections 4 or 5 if: (i) Executive is offered employment with a successor to the Company or some or all of its business or assets, which agrees to assume this Agreement, Executive does not accept the offer and his employment ceases as a result thereof; or (ii) Executive is transferred or offered a transfer to an Affiliate which agrees to assume this Agreement, Executive does not accept the transfer or offer and his employment ceases as a result thereof.

7.9 Withholding. The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding it determines to be required by law.

7.10 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns, heirs, executors and legal representatives.

7.11 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

7.12 Survival. Anything contained in this Agreement to the contrary notwithstanding, the provisions of Sections 1.3, 1.4, 2.1, 3.8, 4, 5, 6 and 7 and any other provisions of this Agreement expressly imposing obligations that survive termination of the Term and Executive's employment hereunder, shall survive termination of the Term and this Agreement and any termination of the Executive's employment hereunder.

7.13 Existing Agreements. The Executive represents to the Company that he is not subject or a party to any employment or consulting agreement, non-competition covenant or other agreement, covenant or understanding which might prohibit him from executing this Agreement or limit in any manner whatsoever his ability to fulfill his responsibilities hereunder.

7.14 Section 409A.

(a) Interpretation. Notwithstanding the other provisions hereof, this Agreement is intended to comply with the requirements of section 409A of the Code, to the extent applicable, and this Agreement shall be interpreted to avoid any penalty sanctions under section 409A of the Code. Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with section 409A. If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under section 409A of the Code, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. For purposes of section 409A of the Code, each payment made under this Agreement shall be treated as a separate payment. In no event may the Executive, directly or indirectly, designate the calendar year of payment.

(b) Payment Delay. Notwithstanding any provision to the contrary in this Agreement, if on the date of the Executive's termination of employment, the Executive is a "specified employee" (as such term is defined in section 409A(a)(2)(B)(i) of the Code and its corresponding regulations) as determined by the Board (or its delegate) in its sole discretion in accordance with its "specified employee" determination policy, then all cash severance payments payable to the Executive under this Agreement that are deemed as deferred compensation subject to the requirements of section 409A of the Code shall be postponed for a period of six months following the Executive's "separation from service" with the Company (or any successor thereto). The postponed amounts shall be paid to the Executive in a lump sum within 30 days after the date that is 6 months following the Executive's "separation from service" with the

Company (or any successor thereto). If the Executive dies during such six-month period and prior to payment of the postponed cash amounts hereunder, the amounts delayed on account of section 409A of the Code shall be paid to the personal representative of the Executive's estate within 60 days after Executive's death. If any of the cash payments payable pursuant to this Agreement are delayed due to the requirements of section 409A of the Code, there shall be added to such payments interest during the deferral period at an annualized rate of interest equal to 5%.

(c) Reimbursements. All reimbursements provided under this Agreement shall be made or provided in accordance with the requirements of section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Executive's lifetime (or during a short period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of all eligible expense will be made on or before the last day of the taxable year following the year in which the expense is incurred, and (iv) the right to reimbursement is not subject to the liquidation or exchange for another benefit.

7.15 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first above written.

Meridian Bank

By: ______________________________
Name: ______________________________
Title: ______________________________

____
Christopher J. Annas

MERIDIAN BANK

**SUPPLEMENTAL EXECUTIVE RETIREMENT
DEFERRED COMPENSATION PLAN**

This document is drafted with the intent that it comply with Internal Revenue Code Section 409A and regulations promulgated thereunder.

Renaissance Benefit Advisors has provided you this specimen document strictly in its capacity as an employee benefits consulting firm and plan recordkeeper. Renaissance Benefit Advisors does NOT provide legal, tax or accounting consultation or advice. It is Renaissance Benefit Advisors' recommendation that you seek appropriately specialized professional consultation regarding the information and/or material contained herein.

MERIDIAN BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT
DEFERRED COMPENSATION PLAN

Meridian Bank, a Pennsylvania corporation, and its affiliates and subsidiaries (the "Employer"), hereby adopts this Meridian Bank Supplemental Executive Retirement Deferred Compensation Plan (the "Plan") for the benefit of a select group of management or highly compensated employees. This Plan is an unfunded arrangement and is intended to be exempt from the participation, vesting, funding, and fiduciary requirements set forth in Title I of the Employee Retirement Income Security Act of 1974, as amended. It is intended to comply with Internal Revenue Code Section 409A.

Article 1 - Definitions

1.1 Account

The sum of all the bookkeeping sub-accounts as may be established on the books of the Employer for the purpose of recording amounts credited on behalf of each Participant as provided in Section 5.1 hereof.

1.2 Administrator

An administrative committee appointed by the Board. The Plan Administrator shall serve as the agent for the Employer with respect to the Trust.

1.3 Board

The Board of Directors of the Employer.

1.4 Bonus

Compensation which is designated as such by the Employer and which relates to services performed during an incentive period by an Eligible Employee in addition to his or her Salary, including any pretax elective deferrals from said Bonus to any Employer sponsored plan that includes amounts deferred under a Deferral Election or any elective deferral as defined in Code Section 402(g)(3) or any amount contributed or deferred at the election of the Eligible Employee in accordance with Code Section 125 or 132(f)(4).

1.5 Change-in-Control

Provided that such term shall be interpreted within the meaning of regulations promulgated under Code Section 409A, a "Change-in-Control" of the Employer (which, for purpose of this Section 1.5 shall mean Meridian Bank but not any of its affiliates or subsidiaries) shall mean the first to occur of any of the following:

(a) "Change in Ownership"; the date that any one person or persons acting as a group, as defined in Treas. Reg. Section 1.409A-3(i)(5)(v)(B), acquires ownership of Employer stock constituting more than fifty percent (50%) of the total fair market value or total voting power of the Employer;

(b) "Change in Effective Control"; the date that any one person or persons acting as a group, as defined in Treas. Reg. Section 1.409A-3(i)(5)(v)(B), acquires (or has acquired during the 12-month period ending on the (i) date of the most recent acquisition by such person or persons) ownership of the stock of the Employer possessing thirty percent (30%) or (ii) more of the total voting power of the stock of the Employer;

(c) "Change in Ownership of a Substantial Portion of the Assets of the Company"; the date that any one person or persons acting as a group, defined in Treas. Reg. Section 1.409A-3(i)(5)(v)(B), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Employer that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Employer immediately prior to such acquisition; or

(d) the date that a majority of members of the Employer's Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or elections.

1.6 Code

The Internal Revenue Code of 1986, as amended.

1.7 Compensation

The Participant's earned income, including Salary, Bonus, Performance-based Compensation, and other remuneration, excluding severance, from the Employer as may be included by the Administrator. For purposes of determining who a "key employee" is pursuant to Section 1.27 only, Compensation shall have the meaning ascribed to it in Code Section 415 and Regulations promulgated thereunder.

1.8 Deferrals

The portion of Compensation that a Participant elects to defer in accordance with Section 3.1 hereof.

1.9 Deferral Election

The separate agreement, submitted to the Administrator, by which an Eligible Employee agrees to participate in the Plan and is evidence of an irrevocable election to make Deferrals under this Plan.

1.10 Disability

Provided that such term shall be interpreted within the meaning of regulations promulgated under Code Section 409A, a Participant shall be considered to have incurred a Disability if: (i) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; (ii) the Participant is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's Employer; or (iii) determined to be totally disabled by the Social Security Administration.

1.11 Effective Date

January 1, 2009

1.12 Eligible Employee

An Employee shall be considered an Eligible Employee if such Employee is a member of a "select group of management or highly compensated employees," within the meaning of Sections 201, 301 and 401 of ERISA, and is designated as an Eligible Employee by the Administrator. The Administrator may at any time, in its sole discretion, change the eligible criteria for an Eligible Employee or determine that one or more Participants will cease to be an Eligible Employee. The designation of an Employee as an Eligible Employee in any year shall not confer upon such Employee any right to be designated as an Eligible Employee in any future Plan Year.

1.13 Employee

Any person employed by the Employer.

1.14 Employer

Meridian Bank and its subsidiaries and affiliates.

1.15 Employer Discretionary Contribution

A discretionary contribution made by the Employer that is credited to one or more Participant's Accounts in accordance with the terms of Section 3.8 hereof.

1.16 Employer Supplemental Contribution

A contribution made by the Employer that is credited to one or more Participant's Accounts in accordance with the terms of Section 3.7 hereof.

1.17 ERISA

The Employee Retirement Income Security Act of 1974, as amended.

1.18 Investment Fund

Each investment(s) which serves as a means to measure value, increases or decreases with respect to a Participant's Accounts.

1.19 Matching Contribution

A contribution made by the Employer that is credited to one or more Participant's Accounts in accordance with the terms of Section 3.6 hereof.

1.20 Participant

An Eligible Employee who is a Participant as provided in Article 2.

1.21 Performance-based Compensation

Provided that such term shall be interpreted within the meaning of regulations promulgated under Code Section 409A, "Performance-based Compensation" shall mean compensation that (i) meets the definition of Code Section 409A(a)(4)(B)(iii) and related guidance and regulations, (ii) is designated as such by the Employer and relates to services performed during a performance period of at least twelve months by an Eligible Employee, including any pretax elective deferrals from said Performance-based Compensation to any Employer sponsored plan that includes amounts deferred under a Deferral Election or any elective deferral as defined in Code Section 402(g)(3) or any amount contributed or deferred at the election of the Eligible Employee in accordance with Code Section 125 or 132(f)(4).

1.22 Plan Year

For the initial Plan Year, Effective Date through December 31, 2008. For each year thereafter, January 1 through December 31.

1.23 Retirement

Retirement means a Participant has reached age sixty-five (65) and has a Separation from Service.

1.24 Salary

An Eligible Employee's base salary earned during a Plan Year, including any pretax elective deferrals from said Salary to any Employer sponsored plan that includes amounts deferred under a Deferral Election or any elective deferral as defined in Code Section 402(g)(3) or any amount contributed or deferred at the election of the Eligible Employee in accordance with Code Section 125 or 132(f)(4).

1.25 Separation from Service

Provided that such term shall be interpreted within the meaning of regulations promulgated under Code Section 409A, a Participant shall incur a Separation from Service with the Service Recipient due to death, retirement or other termination of employment with the Service Recipient unless the employment relationship is treated as continuing intact while the individual is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six (6) months, or if longer, so long as the individual retains a right to reemployment with the Service Recipient under an applicable statute or by contract. If the period of Participant's leave exceeds six (6) months and the Participant has no right to reemployment, a Separation from Service shall be deemed to have occurred on the first date following the six (6) month period. Upon a sale or other disposition of the assets of the Employer to an unrelated purchase, the Administrator reserves the right, to the extent permitted by Code section 409A to determine whether Participants providing services to the purchaser after and in connection with the purchase transaction have experienced a Separation from Service.

1.26 Service Recipient

Provided that such term shall be interpreted within the meaning of regulations promulgated under Code Section 409A, Service Recipient shall mean the Employer or person for whom the services are performed and with respect to whom the legally binding right to compensation arises, and all persons with whom such person would be considered a single employer under Code Section 414(b) (employees of controlled group of corporations), and all persons with whom such person would be considered a single employer under Code Section 414(c) (employees of partnerships, proprietorships, etc., under common control).

1.27 Specified Employee

Provided that such term shall be interpreted within the meaning of regulations promulgated under Code Section 409A, a "Specified Employee" shall mean a Participant who on the date of his or her "Separation from Service" is considered a "Key Employee", as defined under Code Section 416(i) without regard to section 416(i)(5) and such other requirements imposed under Code Section 409A(a)(2)(B)(i) and regulations thereunder for the period beginning April 1 of the year subsequent to the Identification Date and ending March 31 of the following year. The Identification Date for this Plan is December 31 of each year. For purposes of determining who is an "officer" under Code Section 416(i), the guidance under Treas. Reg. Section 1.416-1 (Question T-13) shall be used. Notwithstanding anything to the contrary, a Participant is not a Specified Employee unless any stock of the Service Recipient is publicly traded on an established securities market (as defined in Treas. Reg. Section 1-897-1(m) or otherwise.

1.28 Trust

In the event of Trust usage, the agreement between the Employer and the Trustee under which the assets of the Plan are held, administered and managed, which shall conform to the terms of Rev. Proc. 92-64.

1.29 Trustee

In the event of a Trust, the initial Trustee shall be the named Trust administrator, or such other successor that shall become trustee pursuant to the terms of the Plan.

1.30 Years of Service

A Participant's "Years of Service" shall be measured by employment during a twelve (12) month period commencing with the Participant's date of hire and anniversaries thereof.

Article 2 - Participation

2.1 Commencement of Participation

Each Eligible Employee shall become a Participant at the earlier of the date on which his or her Deferral Election first becomes effective or the date on which an Employer Supplemental or Employer Discretionary Contribution is first credited to his or her Account.

2.2 Loss of Eligible Employee Status

A Participant who is no longer an Eligible Employee shall not be permitted to submit a Deferral Election and all Deferrals for such Participant shall cease as of the end of the Plan Year in which such Participant is determined to no longer be an Eligible Employee. Amounts credited to the Account of a Participant who is no longer an Eligible Employee shall continue to be held pursuant to the terms of the Plan and shall be distributed as provided in Article 6.

Article 3 - Contributions

3.1 Deferral Elections - General

A Participant's Deferral Election for a Plan Year is irrevocable for that applicable Plan Year; provided, however that a cessation of Deferrals shall be allowed if required by the terms of the Employer's qualified 401(k) plan in order for the Participant to obtain a hardship withdrawal from the 401(k) plan, or if required under Section 6.10 (Unforeseeable Emergency) of this Plan. Such amounts deferred under the Plan shall not be made available to such Participant, except as provided in Article 6, and shall reduce such Participant's Compensation from the Employer in accordance with the provisions of the applicable Deferral Election; provided, however, that all such amounts shall be subject to the rights of the general creditors of the Employer as provided in Article 8. The Deferral Election, in addition to the requirements set forth below, must designate: (i) the amount of Compensation to be deferred, (ii) the time of the distribution, and (iii) the form of the distribution.

3.2 Time of Election

A Deferral Election shall be void if it is not made in a timely manner as follows:

(a) A Deferral Election with respect to any Compensation must be submitted to the Administrator before the beginning of the calendar year during which the amount to be deferred will be earned. As of December 31 of each calendar year, said Deferral Election is irrevocable for the calendar year.

(b) Notwithstanding the foregoing and in the discretion of the Employer, in a year in which an Employee is first eligible to participate, and provided that such Employee is not eligible to participate in any other similar account balance arrangement aggregated with the elective deferral portion of the Plan under Code Section 409, such Deferral Election shall be submitted within thirty (30) days after the date on which an Employee is first eligible to participate, and such Deferral Election shall apply to Compensation to be earned during the remainder of the calendar year after such election is made.

(c) Notwithstanding the foregoing and in the discretion of the Employer, a Deferral Election with respect to any Performance-based Compensation may be submitted by the Eligible Employee or Participant provided that such Deferral Election is submitted at least six (6) months prior to the end of the performance period on which the Performance-based Compensation is based. Provided, that the Eligible Employee is employed continuously from the later of the beginning through the date the election is made to defer such Performance-based Compensation and the amount of such Performance-based Compensation has not become readily ascertainable as of the date of the Deferral Election.

3.3 Distribution Elections

At the time a Participant makes a Deferral Election, he or she must also elect the time and form of the distribution by establishing one or more In-Service Account(s) or Retirement Account(s) as provided in Sections 5.1 and 6.1. If the Participant fails to properly designate the time and form of a distribution, the Participant's Account shall be designated as a Retirement Account and shall be paid in a lump sum. Notwithstanding anything to the contrary, All Supplemental Employer Contributions shall be allocated to a Participant's Retirement Account and shall be distributed in annual installments over a 10 year period.

3.4 Additional Requirements

The Deferral Election, subject to the limitations set forth in Sections 3.1 and 3.2 hereof, shall comply with the following additional requirements, or as otherwise required by the Administrator in its sole discretion:

(a) Deferrals may be made in whole percentages or stated dollar amounts with such limitations as determined by the Administrator.

(b) The maximum amount that may be deferred each Plan Year is twenty-five percent (25%) of the Participant's Salary and one-hundred percent (100%) of the Participant's Bonus or Performance-based Compensation, net of applicable taxes.

3.5 Cancellation of Deferral Election due to Disability

Notwithstanding anything to the contrary, if a Participant incurs a disability as defined in this Section 3.5, said Participant may file an election to stop Deferrals as of the date the election is received by the Administrator, provided that such cancellation occurs by the later of the end of the calendar year or the 15th day of the third month following the date the Participant incurs a disability. Disability for purposes of this Section 3.5 only means that a Participant incurs a medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his or her position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six months, as determined by the Administrator in its sole discretion.

3.6 Matching Contribution

The Employer may, in its sole and absolute discretion, credit to the Account of each Participant who makes Deferrals a Matching Contribution in an amount equal to a percentage of the Deferrals contributed by the Participant, with such percentage determined annually by the Employer, in its sole and absolute discretion. In the event of a Matching Contribution, such Matching Contribution shall be credited to such sub-account(s) as may be elected by the Participant for his or her Salary Deferrals, or if no Salary Deferrals, then for Bonus Deferrals or Performance-based Compensation Deferrals in accordance with Section 5.1 and procedures established by the Plan Administrator.

3.7 Employer Supplemental Contribution

The Employer shall make an Employer Supplemental Contribution to the Account of all of the Participants. The amount of the Employer Supplemental Contribution to be credited to each Participant's Account shall be determined by the Employer and communicated to the Participant(s) annually. Such Employer Supplemental Contribution shall be credited to a Retirement sub-account maintained within the Participant's Account in accordance with Section 5.1 and procedures established by the Plan Administrator.

3.8 Employer Discretionary Contributions

The Employer reserves the right to make an Employer Discretionary Contribution to some or all Participants' Accounts in such amount and in such manner as may be determined by the Employer. Such Employer Discretionary Contribution shall be credited to a Retirement sub-account maintained within the Participant's Account in accordance with Section 5.1 and procedures established by the Plan Administrator.

3.9 Crediting of Contributions

(a) Salary Deferrals shall be credited to a Participant's Account, and if applicable transferred to the Trust, at such time as the Employer shall determine but no less frequently than at the close of each month. Bonus or Performance-based Compensation Deferrals, shall be credited to a Participant's Account, and if applicable transferred to the Trust, annually.

(b) In the event of the Employer providing for a Matching Contribution, the Matching Contribution shall be credited to a Participant's Account, and if applicable transferred to the Trust, at such time as the Employer shall determine but no less frequently than at the close of each month.

(c) Employer Supplemental Contribution(s) shall be credited to a Participant's Retirement sub account, and if applicable transferred to the Trust, as soon as administratively feasible following the close of each Plan Year.

(d) Employer Discretionary Contributions, if any, shall be credited to a Participant's Account, and if applicable transferred to the Trust, at such time as the Employer shall determine.

Article 4 - Vesting

4.1 Vesting of Deferrals

A Participant shall be one-hundred percent (100%) vested in his or her Account attributable to Deferrals and any earning or losses on the investment of such Deferrals.

4.2 Vesting of Matching Contributions

Except as otherwise provided herein, a Participant shall be one-hundred percent (100%) vested to the portion of his or her Account attributable to Matching Contributions.

4.3 Vesting of Employer Supplemental Contributions

Unless otherwise provided by the Plan, a Participant shall have a vested right to the portion of his or her Account attributable to Employer Supplemental Contributions that are credited for a given Plan Year, and any earnings or losses on the investment of such Employer Contribution, in accordance with the following schedule:

12 months after Crediting Date	*Vested Percentage*
Less than 12 months	25%
12 but less than 24 months	50%
24 but less than 36 months	75%
36 or more	100%

4.4 Vesting of Employer Discretionary Contributions

A Participant shall have a vested right to the portion of his or her Account attributable to Employer Discretionary Contribution(s) and any earnings or losses on the investment of such Employer Discretionary Contribution(s) according to such vesting schedule as the Employer shall determine at the time an Employer Discretionary Contribution is made. Such vesting schedule shall be communicated in writing to the Participant following the crediting of such Employer Discretionary Contribution to a Participant's Account.

4.5 Vesting in Event of Retirement, Disability, Death or Change-in-Control

(a) A Participant who incurs a Separation from Service due to Retirement shall be fully vested in the amounts credited to his or her Account as of the date of Retirement.

(b) A Participant who incurs a Separation from Service due to Disability shall be fully vested in the amounts credited to his or her Account as of the date of Disability.

(c) Upon a Participant's death, the Participant shall be fully vested in the amounts credited to his or her Account.

(d) Upon a Change-in-Control, all Participants shall be fully vested in the amounts credited to their Accounts as of the date of the Change-in-Control.

4.6 Amounts Not Vested

Any amounts credited to a Participant's Account that are not vested at the time of his or her Separation from Service shall be forfeited.

Article 5 - Accounts

5.1 Accounts

The Administrator shall establish sub-accounts as provided in subsection (a) and (b), below, as elected by the Participant pursuant to Article 3. A Participant may have a maximum of ten (10) sub-accounts at any time.

(a) A Participant may establish one or more Retirement Account(s) ("Retirement sub-accounts") by designating as such on the Participant's Deferral Election. Each Participant's Retirement sub-account shall be credited with Deferrals (as specified in the Participant's Deferral Election), any Matching Contributions allocable thereto, any Employer Supplemental Contributions, Employer Discretionary Contributions and the Participant's allocable share of any earnings or losses on the foregoing. The Employer Supplemental Contribution and any Employer Discretionary Contribution shall only be allocated to a Retirement sub-account. Each Participant's Retirement sub-account shall be reduced by any distributions made plus any federal and state tax withholding and any social security withholding tax as may be required by law.

(b) A Participant may elect to establish one or more In-Service Accounts ("In-Service sub-accounts") by designating as such in the Participant's Deferral Election the year in which payment shall be made. Each Participant's In-Service sub-account shall be credited with Deferrals (as specified in the Participant's Deferral Election), any Matching Contributions allocable thereto, and the Participant's allocable share of any earnings or losses on the foregoing. Each Participant's In-Service sub-account shall be reduced by any distributions made plus any federal and state tax withholding and any social security withholding tax as may be required by law.

5.2 Investments, Gains and Losses

(a) On an annual basis, a Participant's Account balance related to the Employer Supplemental Contribution will be credited with a fixed rate of interest applied to such Participant's Account balance. The fixed rate of interest shall be determined by the Employer, in its sole and absolute discretion, annually and communicated to the Participants within the first quarter of the applicable Plan Year. The Employer reserves the right to adjust the fixed rate of interest, in their sole and absolute discretion, at any point in a Plan Year. Any such adjustments shall be applied prospectively for the remainder of the Plan Year. The actual crediting of the fixed interest rate shall occur monthly within the applicable Plan Year and on such date as the Employer selects. Other amounts within the Participant's Account related to Deferrals, Matching Contributions and Employer Discretionary Contributions, as applicable, may have the aforementioned interest rate or notional investment gains or losses applied to such balances as provided for by the Employer in their sole and absolute discretion.

(b) The Administrator shall adjust the amounts credited to each Participant's Account to reflect, as appropriate and applicable, Deferrals, Matching Contributions, Employer Supplemental Contributions, any Employer Discretionary Contributions, interest crediting, notional investment gain or losses, distributions and any other appropriate adjustments. Such adjustments shall be made as frequently as is administratively feasible.

Article 6 - Distributions

6.1 Distribution Election

Each Participant shall designate in his or her Deferral Election the form and timing of his or her distribution by indicating the type of sub-account as described under Section 5.1, and by designating the form in which payments shall be made from the choices available under Section 6.2 and 6.3 hereof. Notwithstanding anything to the contrary contained herein provided, no acceleration of the time or schedule of payments under the Plan shall occur except as permitted under both this Plan and Code Section 409A.

6.2 Distributions Upon an In-Service Account Triggering Date

To the extent applicable based on approved Deferrals and Matching Contributions, In-Service sub-account distributions shall begin as soon as administratively feasible but no later than ninety (90) days following January 1 of the calendar year designated by the Participant on a properly submitted Deferral Election, and are payable in either a lump-sum payment or substantially equal annual installments, as described in Section 6.4 below, over a period of up to five (5) years as elected by the Participant in his or her Deferral Election. If the Participant fails to properly designate the form of the distribution, the sub-account shall be paid in a lump-sum payment.

6.3 Distributions Upon Retirement

If the Participant has a Separation from Service due to Retirement, the Participant's Retirement sub-account(s) shall be distributed as soon as administratively feasible but no later than ninety (90) days following the Participant's Retirement, subject to Section 6.11 (Distributions to Specified Employees). Distribution shall be made in substantially equal annual installments, as defined in Section 6.4 below, over a period of ten (10) years.

6.4 Substantially Equal Annual Installments

(a) The amount of the substantially equal payments shall be determined by multiplying the Participant's Account or sub-account by a fraction, the denominator of which in the first year of payment equals the number of years over which benefits are to be paid, and the numerator of which is one (1). The amounts of the payments for each succeeding year shall be determined by multiplying the Participant's Account or sub-account as of the applicable anniversary of the payout by a fraction, the denominator of which equals the number of remaining years over which benefits are to be paid, and the numerator of which is one (1). Installment payments made pursuant to this Section 6.4 shall be made as soon as administratively feasible, but no later than ninety (90) days, following the anniversary of the distribution event.

(b) For purposes of the Plan pursuant to Code Section 409A and regulations thereunder, a series of annual installments shall be considered a single payment.

6.5 Distributions due to other Separation from Service

Upon a Participant's Separation from Service for any reason other than Retirement, death or Disability, all vested amounts credited to his or her Account shall be paid to the Participant in a lump-sum, as soon as administratively feasible, but no later than ninety (90) days, following the date of Separation from Service, subject to Section 6.11 (Distributions to Specified Employees).

6.6 Distributions upon Separation from Service due to Disability

Upon a Participant's Separation from Service due to Disability, all amounts credited to his or her Account shall be paid to the Participant in a lump sum, as soon as administratively feasible but no later than ninety (90) days, following the date of Separation from Service, subject to Section 6.11 (Distributions to Specified Employees).

6.7 Distributions upon Death

Upon the death of a Participant, all amounts credited to his or her Account shall be paid, as soon as administratively feasible but no later than ninety (90) days following Participant's date of death, to his or her beneficiary or beneficiaries, as determined under Article 7 hereof, in a lump sum.

6.8 Changes to Distribution Elections

As applicable, a Participant will be permitted to elect to change the form or timing of the distribution of the balance of his or her one or more sub-accounts within his or her Account to the extent permitted and in accordance with the requirements of Code Section 409A(a)(4)(C), including the requirement that (i) a redeferral election may not take effect until at least twelve (12) months after such election is filed with the Employer, (ii) an election to further defer a distribution (other than a distribution upon death, Disability or an unforeseeable emergency) must result in the first distribution subject to the election being made at least five (5) years after the previously elected date of distribution, and (iii) any redeferral election affecting a distribution at a fixed date must be filed with the Employer at least twelve (12) months before the first scheduled payment under the previous fixed date distribution election. Unless otherwise expressly provided under this Plan or Code Section 409A, once a sub-account begins distribution, no such changes to distributions shall be permitted.

6.9 Acceleration or of Delay in Payments

To the extent permitted by Code Section 409A, and notwithstanding any provision of the Plan to the contrary, the Administrator, in its sole discretion, may elect to (i) accelerate the time or form of payment of a benefit owed to a Participant hereunder in accordance with the terms and subject to the conditions of Treasury Regulations Section 1.409A-3(j)(4), or (ii) delay the time of payment of a benefit owed to a Participant hereunder in accordance with the terms and subject to the conditions of Treasury Regulations Section 1.409A-2(b)(7). By way of example, and at the sole discretion of the Administrator, if a Participant's entire Account balance is less than the applicable Code Section 402(g)(1)(B) annual limit and any interest in all like plans, as determined under Code Section 409A's plan aggregation rules, the Employer may distribute the Participant's Account in a lump sum provided that the distribution results in the termination of the participant's entire interest in the Plan.

6.10 Unforeseeable Emergency

The Administrator may permit an early distribution of part or all of any deferred amounts; provided, however, that such distribution shall be made only if the Administrator, in its sole discretion, determines that the Participant, or the Participant's beneficiary, has experienced an Unforeseeable Emergency. An Unforeseeable Emergency is defined as a severe financial hardship resulting from an illness or accident of the Participant, the Participant's spouse, Participant's beneficiary (as determined by Article 7) or a dependent (as defined in Code Section 152(a)) of the Participant, loss of the Participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. If an Unforeseeable Emergency is determined to exist, a distribution may not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of Deferrals under the Plan. Upon a distribution to a Participant under this Section 6.10, the Participant's Deferrals shall cease and no further Deferrals shall be made for such Participant for the remainder of the Plan Year.

6.11 Distributions to Specified Employee

Notwithstanding anything herein to the contrary, if any Participant is a Specified Employee upon a Separation from Service for any reason other than death, distributions to such Participant shall not commence until the first day of the seventh month following the date of Separation from Service (or, if earlier, the date of death of the Participant). If distributions are to be made in annual installments, the second installment and all those thereafter will be made on the applicable anniversaries of the Participant's Separation from Service.

6.12 Delayed Distributions

Notwithstanding anything herein to the contrary, if any Participant holds the title of Vice President or above (hereafter Group), provided that such Group includes no more than 200 Participants, upon a Separation from Service for any reason other than death, distributions to such Participant shall not commence until the first day of the seventh month following the date of Separation from Service (or, if earlier, the date of death of the Participant). If distributions are to be made in annual installments, the second installment and all those thereafter will be made on the applicable anniversaries of the Participant's Separation from Service.

6.13 Minimum Distribution

Notwithstanding any provision to the contrary, if the balance of a Participant's Account or sub-account at the time of a distribution event or at the time of a scheduled installment payment is $25,000 or less, then the Participant shall be paid his or her Account or sub-account as a single lump sum.

6.14 Form of Payment

All distributions shall be made in the form of cash.

6.15 Separation from Service for Cause

Notwithstanding anything to the contrary contained herein, in the event the Participant has an involuntary Separation from Service for Cause, Participant shall only receive the return of their Deferrals including the Participant's allocable share of any earnings or losses credited on those Deferrals pursuant to Section 5.2 and subject to Section 6.11 (Distributions to Specified Employees) above. Upon a Participant's Separation from Service for Cause, all amounts credited to Participant's Account amounts relating to Employer Matching Contribution(s), Employer Supplemental Contributions, Employer Discretionary Contribution(s), including the Participant's allocable share of any earnings or losses credited on the foregoing pursuant to Section 5.2, hereinabove, shall be forfeited back to the Employer. For purposes of this Plan, "Cause" shall mean (i) engaging in willful or grossly negligent misconduct that is materially injurious to the Company and/or affiliate, (ii) embezzlement or misappropriation of funds or property of the Company and/or affiliate, (iii) conviction of a felony or the entrance of a plea of guilty or nolo contendere to a felony, (iv) conviction of any crime involving fraud, dishonesty or breach of trust or the entrance of a plea of guilty or nolo contendere to such a crime, or (v) failure or refusal by the Participant to devote full business time and attention to the performance of his or her duties and responsibilities if such breach has not been cured within fifteen (15) days after written notice is given to the Participant.

6.16 Domestic Relations Orders

The Administrator may permit such acceleration of the time or schedule of a payment under the Plan to an individual other than a Participant or a payment under the Plan may be made to an individual other than the Participant to the extent necessary to fulfill a domestic relations order (as defined in Code Section 414(p)(1)(B)).

6.17 Distributions Upon a Change-in-Control

If elected by a Participant at the time of initial eligibility for the Plan on a form prescribed by the Administrator, all vested amounts credited to the Participant's Account as of the date of the Change-in-Control shall be paid in a lump sum as soon as administratively possible, but no later than ninety (90) days, following such Change-in-Control.

Article 7 - Beneficiaries

7.1 Beneficiaries

Each Participant may from time to time designate one or more persons (who may be any one or more members of such person's family or other persons, administrators, trusts, foundations or other entities) as his or her beneficiary under the Plan. Such designation shall be made in a form prescribed by the Administrator. Each Participant may at any time and from time to time, change any previous beneficiary designation, without notice to or consent of any previously designated beneficiary, by amending his or her previous designation in a form prescribed by the Administrator. If the beneficiary does not survive the Participant (or is otherwise unavailable to receive payment) or if no beneficiary is validly designated, then the amounts payable under this Plan shall be paid to the Participant's estate. If the beneficiary does not survive the Participant (or is otherwise unavailable to receive payment) or if no beneficiary is validly designated, then the amounts payable under this Plan shall be paid to the Participant's surviving spouse, or if no surviving spouse to the Participant's estate. If more than one person is the beneficiary of a deceased Participant, each such person shall receive a pro rata share of any death benefit payable unless otherwise designated in the applicable form. If a beneficiary who is receiving benefits dies, all benefits that were payable to such beneficiary shall then be payable to the estate of that beneficiary.

7.2 Lost Beneficiary

All Participants and beneficiaries shall have the obligation to keep the Administrator informed of their current address until such time as all benefits due have been paid. If a Participant or beneficiary cannot be located by the Administrator exercising due diligence, then, in its sole discretion, the Administrator may presume that the Participant or beneficiary is deceased for purposes of the Plan and all unpaid amounts (net of due diligence expenses) owed to the Participant or beneficiary shall be paid accordingly or, if a beneficiary cannot be so located, then such amounts may be forfeited. Any such presumption of death shall be final, conclusive and binding on all parties.

Article 8 - Funding

8.1 Prohibition Against Funding

Should any investment be acquired in connection with the liabilities assumed under this Plan, it is expressly understood and agreed that the Participants and beneficiaries shall not have any right with respect to, or claim against, such assets nor shall any such purchase be construed to create a trust of any kind or a fiduciary relationship between the Employer and the Participants, their beneficiaries or any other person. Any such assets shall be and remain a part of the general, unpledged, unrestricted assets of the Employer, subject to the claims of its general creditors. It is the express intention of the parties hereto that this arrangement shall be unfunded for tax purposes and for purposes of Title I of the ERISA. Each Participant and beneficiary shall be required to look to the provisions of this Plan and to the Employer itself for enforcement of any and all benefits due under this Plan, and to the extent any such person acquires a right to receive payment under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Employer. The Employer or the Trust shall be designated the owner and beneficiary of any investment acquired in connection with its obligation under this Plan.

8.2 Deposits in Trust

Notwithstanding Section 8.1, or any other provision of this Plan to the contrary, the Employer may deposit into the Trust any amounts it deems appropriate to pay the benefits under this Plan. The amounts so deposited may include all contributions made pursuant to a Deferral Election by a Participant, all Matching Contributions, Employer Supplemental Contributions, and any Employer Discretionary Contributions.

8.3 Withholding of Employee Contributions

The Administrator is authorized to make any and all necessary arrangements with the Employer in order to withhold the Participant's Deferrals under Section 3.1 hereof from his or her Compensation. The Administrator shall determine the amount and timing of such withholding.

Article 9 - Claims Administration

9.1 General

If a Participant, beneficiary or his or her representative is denied all or a portion of an expected Plan benefit for any reason and the Participant, beneficiary or his or her representative desires to dispute the decision of the Administrator, he or she must file a written notification of his or her claim with the Administrator.

9.2 Claims Procedure

Upon receipt of any written claim for benefits, the Administrator shall be notified and shall give due consideration to the claim presented. If any Participant or beneficiary claims to be entitled to benefits under the Plan and the Administrator determines that the claim should be denied in whole or in part, the Administrator shall, in writing, notify such claimant within ninety (90) days (forty-five (45) days if the claim is on account of Disability) of receipt of the claim that the claim has been denied. The Administrator may extend the period of time for making a determination with respect to any claim for a period of up to ninety (90) days (thirty (30) days if claim is on account of Disability), provided that the Administrator determines that such an extension is necessary because of special circumstances and notifies the claimant, prior to the expiration of the initial ninety (90) day (or forty-five (45) day) period, of the circumstances requiring the extension of time and the date by which the Plan expects to render a decision. If the claim is denied to any extent by the Administrator, the Administrator shall furnish the claimant with a written notice setting forth:

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the Plan provisions on which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(d) an explanation of the provisions of this Article.

Under no circumstances shall any failure by the Administrator to comply with the provisions of this Section 9.2 be considered to constitute an allowance of the claimant's claim.

9.3 Right of Appeal

A claimant who has a claim denied wholly or partially under Section 9.2 may appeal to the Administrator for reconsideration of that claim. A request for reconsideration under this Section must be filed by written notice within sixty (60) days (one-hundred and eighty (180) days if the claim is on account of Disability) after receipt by the claimant of the notice of denial under Section 9.2.

9.4 Review of Appeal

Upon receipt of an appeal the Administrator shall promptly take action to give due consideration to the appeal. Such consideration may include a hearing of the parties involved, if the Administrator feels such a hearing is necessary. In preparing for this appeal the claimant shall be given the right to review pertinent documents and the right to submit in writing a statement of issues and comments. After consideration of the merits of the appeal the Administrator shall issue a written decision which shall be binding on all parties. The decision shall specifically state its reasons and pertinent Plan provisions on which it relies. The Administrator's decision shall be issued within sixty (60) days (forty-five (45) days if the claim is on account of Disability) after the appeal is filed, except that the Administrator may extend the period of time for making a determination with respect to any claim for a period of up one-hundred and twenty (120) days (ninety (90) days if the claim is on account of Disability), provided that the Administrator determines that such an extension is necessary because of special circumstances and notifies the claimant, prior to the expiration of the initial one-hundred and twenty (120) day (or, if the claim is on account of Disability, initial ninety (90) day) period, of the circumstances requiring the extension of time and the date by which the Plan expects to render a decision. Under no circumstances shall any failure by the Administrator to comply with the provisions of this Section 9.4 be considered to constitute an allowance of the claimant's claim.

In the case of a claim on account of Disability: (i) the review of the denied claim shall be conducted by an employee who is neither the individual who made the initial determination or a subordinate of such person; and (ii) no deference shall be given to the initial determination. For issues involving medical judgment, the employee must consult with an independent health care professional who may not be the health care professional who rendered the initial claim.

9.5 Designation

The Administrator may designate any other person of its choosing to make any determination otherwise required under this Article. Any person so designated shall have the same authority and discretion granted to the Administrator hereunder.

Article 10 - General Provisions

10.1 Administrator

(a) The Administrator is expressly empowered to limit the amount of Compensation that may be deferred; to deposit amounts into the Trust in accordance with Section 8.2 hereof; to interpret the Plan, and to determine all questions arising in the administration, interpretation and application of the Plan; to employ actuaries, accountants, counsel, and other persons it deems necessary in connection with the administration of the Plan; to request any information from the Employer it deems necessary to determine whether the Employer would be considered insolvent or subject to a proceeding in bankruptcy; and to take all other necessary and proper actions to fulfill its duties as Administrator.

(b) The Administrator shall not be liable for any actions by it hereunder, unless due to its own negligence, willful misconduct or lack of good faith.

(c) The Administrator shall be indemnified and saved harmless by the Employer from and against all personal liability to which it may be subject by reason of any act done or omitted to be done in its official capacity as Administrator in good faith in the administration of the Plan and Trust, including all expenses reasonably incurred in its defense in the event the Employer fails to provide such defense upon the request of the Administrator. The Administrator is relieved of all responsibility in connection with its duties hereunder to the fullest extent permitted by law, short of breach of duty to the beneficiaries.

10.2 No Assignment

Benefits or payments under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's beneficiary, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber, attach or garnish the same shall not be valid, nor shall any such benefit or payment be in any way liable for or subject to the debts, contracts, liabilities, engagement or torts of any Participant or beneficiary, or any other person entitled to such benefit or payment pursuant to the terms of this Plan, except to such extent as may be required by law. If any Participant or beneficiary or any other person entitled to a benefit or payment pursuant to the terms of this Plan becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber, attach or garnish any benefit or payment under this Plan, in whole or in part, or if any attempt is made to subject any such benefit or payment, in whole or in part, to the debts, contracts, liabilities, engagements or torts of the Participant or beneficiary or any other person entitled to any such benefit or payment pursuant to the terms of this Plan, then such benefit or payment, in the discretion of the Administrator, shall cease and terminate with respect to such Participant or beneficiary, or any other such person.

10.3 No Employment Rights

Participation in this Plan shall not be construed to confer upon any Participant the legal right to be retained in the employ of the Employer, or give a Participant or beneficiary, or any other person, any right to any payment whatsoever, except to the extent of the benefits provided for hereunder. Each Participant shall remain subject to discharge to the same extent as if this Plan had never been adopted.

10.4 Incompetence

If the Administrator, after consultation with appropriate professionals, determines that any person to whom a benefit is payable under this Plan is incompetent by reason of physical or mental disability, the Administrator shall have the power to cause the payments becoming due to such person to be made to another for his or her benefit without responsibility of the Administrator or the Employer to see to the application of such payments. Any payment made pursuant to such power shall, as to such payment, operate as a complete discharge of the Employer, the Administrator and the Trustee.

10.5 Identity

If, at any time, any doubt exists as to the identity of any person entitled to any payment hereunder or the amount or time of such payment, the Administrator shall be entitled to hold such sum until such identity or amount or time is determined or until an order of a court of competent jurisdiction is obtained. The Administrator shall also be entitled to pay such sum into court in accordance with the appropriate rules of law. Any expenses incurred by the Employer, Administrator, and Trust incident to such proceeding or litigation shall be charged against the Account of the affected Participant.

10.6 Other Benefits

The benefits of each Participant or beneficiary hereunder shall be in addition to any benefits paid or payable to or on account of the Participant or beneficiary under any other pension, disability, annuity or retirement plan or policy whatsoever.

10.7 Expenses

All expenses incurred in the administration of the Plan, whether incurred by the Employer or the Plan, shall be paid by the Employer.

10.8 Insolvency

Should the Employer be considered insolvent (as defined by the Trust), the Employer, through its Board and chief executive officer, shall give immediate written notice of such to the Administrator of the Plan and the Trustee. Upon receipt of such notice, the Administrator or Trustee shall cease to make any payments to Participants who were Employees of the Employer or their beneficiaries and shall hold any and all assets attributable to the Employer for the benefit of the general creditors of the Employer.

10.9 Amendment or Modification

The Employer may, at any time, in its sole discretion, amend or modify the Plan in whole or in part, except that no such amendment or modification shall have any retroactive effect to reduce any amounts allocated to a Participant's Accounts, and provided that such amendment or modification complies with Codes Section 409A and related regulations thereunder.

10.10 Plan Suspension

The Employer further reserves the right to suspend the Plan in whole or in part, except that no such suspension shall have any retroactive effect to reduce any amounts allocated to a Participant's Accounts, and provided that that distribution of the vested Participant Accounts shall not be accelerated but shall be paid at such time and in such manner as determined under the terms of the Plan immediately prior to suspension as if the Plan had not been suspended.

10.11 Plan Termination

The Employer further reserves the right to terminate the Plan in whole or in part, in the following manner, except that no such termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Accounts, and provided that such termination complies with Codes Section 409A and related regulations thereunder:

(a) The Employer, in its sole discretion, may terminate the Plan and distribute all vested Participants' Accounts no earlier than twelve (12) calendar months from the date of the Plan termination and no later than twenty-four (24) calendar months from the date of the Plan termination, provided however that all other similar arrangements are also terminated by the

Employer and no other similar arrangements are adopted by the Employer within a three year period from the date of termination; or

(b) The Employer may decide, in its sole discretion, to terminate the Plan in the event of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court, provided that the Participants vested Account balances are distributed to Participants and are included in the Participants' gross income in the latest of: (i) the calendar year in which the termination occurs; (ii) the calendar year in which the amounts deferred are no longer subject to a substantial risk of forfeiture; or (iii) the first calendar year in which payment is administratively practicable.

10.12 Plan Termination due to a Change-in-Control

The Employer may decide, in its discretion, to terminate the Plan in the event of a Change-in-Control and distribute all vested Participants Account balances no earlier than thirty (30) days prior to the Change-in-Control and no later than twelve (12) months after the effective date of the Change-in-Control, provided however that the Employer terminates all other similar arrangements. Any corporation or other business organization that is a successor to the Employer by reason of a Change-in-Control shall have the right to become a party to the Plan by appropriate entity action. If within thirty (30) days from the effective date of the Change-in-Control such new entity does not become a party hereto, as above provided, the full amount of the Participant's Account shall become immediately distributable to the Participant pursuant to this subsection.

10.13 Construction

All questions of interpretation, construction or application arising under or concerning the terms of this Plan shall be decided by the Administrator, in its sole and final discretion, whose decision shall be final, binding and conclusive upon all persons.

10.14 Governing Law

This Plan shall be governed by, construed and administered in accordance with the applicable provisions of ERISA, Code Section 409A, and any other applicable federal law, provided, however, that to the extent not preempted by federal law this Plan shall be governed by, construed and administered under the laws of the Commonwealth of Pennsylvania, other than its laws respecting choice of law.

10.15 Severability

If any provision of this Plan is held invalid or unenforceable, its invalidity or unenforceability shall not affect any other provision of this Plan and this Plan shall be construed and enforced as if such provision had not been included therein. If the inclusion of any Employee (or Employees) as a Participant under this Plan would cause the Plan to fail to comply with the requirements of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, or Code Section 409A, then the Plan shall be severed with respect to such Employee or Employees, who shall be considered to be participating in a separate arrangement.

10.16 Headings

The Article headings contained herein are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge or describe the scope or intent of this Plan nor in any way shall they affect this Plan or the construction of any provision thereof.

10.17 Terms

Capitalized terms shall have meanings as defined herein. Singular nouns shall be read as plural, masculine pronouns shall be read as feminine, and vice versa, as appropriate.

10.18 Right of Setoff

The Employer may, to the extent permitted by applicable law, deduct from and setoff against any amounts payable to a Participant from this Plan such amounts as may be owed by a Participant to the Employer, although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff; provided, however, that this setoff may occur only at the date on which the amount would otherwise be distributed to the Participant as required by Code Section 409A. By electing to participate in the Plan and deferring compensation hereunder, the Participant agrees to any deduction or setoff under this Section 10.18 which is allowed by law.

IN WITNESS WHEREOF, Meridian Bank has caused this instrument to be executed by its duly authorized officer, effective as of this 13th day of March, 2009.

Meridian Bank

By: [signature]

Title: CEO

ATTEST:

By: Erica H. Burns

Title: Corporate Secretary

MERIDIAN BANK
EMPLOYEE STOCK OWNERSHIP PLAN

(Effective January 1, 2014)

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ARTICLE I
INTRODUCTION

The Meridian Bank Employee Stock Ownership Plan (the "Plan") is hereby established by Meridian Bank (the "Company") in order for its employees to participate in the ownership of the Company. The Plan, effective as of January 1, 2014, is intended to be an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Internal Revenue Code of 1986, as amended, and is designed to invest primarily in Company Stock, which meets the requirements for qualifying employer securities under Code Section 409(l). The purchase of Company Stock for the Plan may be made with the proceeds of exempt loans meeting the requirements of Section 54.4975-7(b) of the Treasury Regulations (including any amendments thereto) and Section 2550.408(b)-3 of the Department of Labor Regulations (including any amendments thereto), employer contributions, dividends on qualified employer securities or a combination thereof.

ARTICLE II
DEFINITIONS

The following initially capitalized words and phrases when used herein shall have the meanings set forth below, unless the context clearly requires otherwise.

2.1 Account means the bookkeeping account established for each Participant which reflects the value of the Participant's interest in the Plan. This Account shall include the following sub-accounts:

(a) An Employer Contribution Account that reflects the number of shares, including fractional shares, of Company Stock allocated to the Participant, cash allocated to the Participant, and the investment earnings and losses thereon with respect to contributions made pursuant to Section 5.1(b).

(b) A Matching Contribution Account that reflects the number of shares, including fractional shares, of Company Stock allocated to the Participant, cash allocated to the Participant, and the investment earnings and losses thereon with respect to contributions made pursuant to Section 5.1(a).

2.2 Administrative Committee and Committee, used interchangeably, means the named fiduciary of the Plan, which is appointed by the Board of Directors, as is more fully described in Article XII. In the event the Board of Directors does not appoint an Administrative Committee, Administrative Committee means the Board of Directors.

2.3 Affiliate means the Company and any corporation which is a member of a controlled group of corporations (as defined in Code Section 414(b)) which includes the Company; any trade or business (whether or not incorporated) which is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Code Section 414(m)) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o).

2.4 Beneficiary means the individual(s) or entities entitled to receive the Participant's benefits under the Plan in the event of the Participant's death prior to receiving all benefits payable under the Plan.

2.5 Board of Directors means the Board of Directors of the Company as constituted from time to time.

2.6 Break in Service means a Plan Year during which an Employee (a) has terminated employment or is no longer employed with the Company or an Affiliate, and (b) fails to complete more than five hundred (500) Hours of Service.

2.7 Change in Control means the first to occur of any of the following events:

(a) Any consolidation, merger, share exchange, or similar transaction relating to the Company, in which the Company is not the continuing or surviving entity or pursuant to which shares of the Company's capital stock are converted into cash, securities of another entity and/or other property, other than a transaction in which the holders of the Company's voting stock immediately before such transaction shall, upon consummation of such transaction, own fifty percent (50%) or more of the voting power of the surviving entity;

(b) Any sale of all or substantially all of the assets of the Company, other than a transfer of assets to a related person which is not treated as a change in control event under Treas. Reg. 1.409A-3(i)(5)(vii)(B);

(c) Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), after the Effective Date of the Plan, shall become the beneficial owner (within the meaning of Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing fifty-one percent (51%) or more of the voting power of then all outstanding securities of the Company entitled to vote generally in the election of directors of the Company (including, without limitation, any securities of the Company that any such person has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, which shall be deemed beneficially owned by such person); provided, however, (1) that the acquisition by any person or group of persons acquiring beneficial ownership of such level of voting power in connection with a recapitalization transaction or the purchase of newly issued securities directly from the Company, approved by the members of the Board of Directors who are in office as of the Effective Date of the Plan, shall not be considered a Change in Control, and further provided (2) that any person who becomes a member of the Board of Directors and whose nomination, election or appointment as a member of the Board of Directors is approved by at least a majority of the members of the Board of Directors as of the Effective Date of the Plan, or by a nominating committee of the Board of Directors, the membership of which is approved by at least a majority of the members of the Board of Directors as of the Effective Date of the Plan, shall, for purposes of the definition of Change in Control be considered a member of the Board of Directors as of the Effective Date of the Plan, and further provided (3) that a Change in Control shall not result from any transfer of ownership to the Plan or to an existing shareholder as of the Effective Date of the Plan; or

(d) A majority of the members of the Board of Directors are replaced, over a twelve (12) month period, by directors whose appointment or election was not endorsed by a majority of the members of the Board of Directors in office prior to such appointment or election.

2.8 Code means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

2.9 Company means Meridian Bank, a Pennsylvania corporation that is a "C corporation" and a "bank" (as those terms are defined in Code Sections 1361(a)(2) and 581, respectively), and any Affiliate which adopts this Plan with the approval of the Board of Directors of the Company and any successor to the business of the Company that agrees to assume the Company's obligations under the Plan.

2.10 Company Stock means shares of common stock issued by the Company that are readily tradable on an established securities market within the meaning of Treas. Reg. 1.401(a)(35)-1(f)(5); provided, however, that if the Company's common stock is not readily tradable on an established securities market, "Company Stock" means common stock issued by the Company having a combination of voting power and dividend rates equal to or in excess of: (a) that class of common stock of the Company having the greatest voting power and (b) that class of common stock of the Company having the greatest dividend rights. Non-callable preferred stock shall be treated as Company Stock for purposes of the Plan if such stock is convertible at any time into stock that is readily tradable on an established securities market (or, if applicable, that meets the requirements of (a) and (b) next above) and if such conversion is at a conversion price that, as of the date of the acquisition by the Plan, is reasonable. For purposes of the immediately preceding sentence, preferred stock shall be treated as non-callable if, after the call, there will be a reasonable opportunity for a conversion that meets the requirements of the immediately preceding sentence. Company Stock shall be held under the Trust only if such stock satisfies the requirements of Section 407(d)(5) of ERISA. For purposes of this definition "Company" includes any corporation that is a member of a controlled group of corporations with the Company (within the meaning of Section 409(l)(4) of the Code).

2.11 Compensation means wages within the meaning of Code Section 3401(a) for the purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)). Compensation also includes any salary reduction contributions elected by a Participant which is not includible in the gross income of the Participant pursuant to any plan maintained by the Company in accordance with Code Sections 125(a), 132(f)(4), 402(e)(3), 402(h)(1), 402(k), or 457(b).

Payments made within 2 ½ months after severance from employment (within the meaning of Code Section 401(k)(2)(B)(i)(I)) will be Compensation if they are payments that, absent a severance from employment, would have been paid to the Participant while the Participant continued in employment with the Employer and are regular compensation for services during the Participant's regular working hours, compensation for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar compensation, and payments for accrued bona fide sick, vacation or other leave, but only if the Participant would have been able to use the leave if employment had continued. Any payments not described above are not considered Compensation if paid after severance from employment, even if they are paid within 2 ½ months following severance from employment, except for payments to an individual who does not currently perform services for the Employer by reason of qualified military service (within the meaning of Code Section 414(u)(1)) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service.

Notwithstanding the foregoing, Compensation shall not include any amounts earned prior to becoming a Participant in the Plan.

The annual compensation for each Participant taken into account under the Plan shall not exceed $255,000, as adjusted by the Internal Revenue Service at the same time and in the same manner as under Code Section 415(d).

2.12 Disability means a medically determinable physical or mental impairment which is of such permanence and degree that it can be expected to result in death or that a Participant is unable, because of such impairment, to perform any substantial gainful activity for which the Participant is suited by virtue of such Participant's experience, training or education and which would entitle the Participant to benefits under the Employer's long-term disability plan, if any, or to Social Security disability benefits as evidenced by a disability award letter.

2.13 Disqualified Person means a person defined in Code Section 4975(e), including but not limited to (i) a fiduciary of the Plan; (ii) a person providing services to the Plan; (iii) an owner of 50% or more of the combined voting power or value of all classes of stock of the Company entitled to vote or the total value of shares of all classes of stock of the Company and certain members of such owner's family; or (iv) an officer, director, 10% or greater shareholder or highly compensated employee (who earns 10% or more of the yearly wages) of the Company.

2.14 Effective Date means January 1, 2014, which is the date on which the provisions of this Plan become effective.

2.15 Employee means an individual who is employed as a common law employee by the Company or an Affiliate on a salaried or hourly basis and with respect to whom the Company or the Affiliate is required to withhold taxes from remuneration paid to such Employee by the Company or Affiliate for personal services rendered to the Company, including any officer or director who shall so qualify. If an individual is not considered to be an Employee in accordance with the preceding sentence for a Plan Year, a subsequent determination by the Company, any governmental agency or court that the individual is a common law employee of the Company, even if such determination is applicable to prior years, will not have a retroactive effect for purposes of eligibility to participate in the Plan.

2.16 Employer means the Company.

2.17 Entry Date means January 1, April 1, July 1, and October 1 of each Plan Year.

2.18 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time, including any regulations promulgated thereunder.

2.19 Exempt Loan means the issuance of notes, a series of notes or other installment obligations incurred by the Trustee, in accordance with the Trust, in connection with the purchase of Company Stock, the terms of which shall satisfy the requirements of Treasury Regulations Section 54.4975-7(b), including the requirements: (a) that the loan bear a reasonable rate of interest, be for a definite period (rather than payable on demand), and be without recourse against the Plan, and (b) that the only assets of the Plan that may be given as collateral are shares of Common Stock purchased with the proceeds of that loan or with the proceeds of a prior Exempt Loan.

2.20 Highly Compensated Employee

(a) Highly Compensated Employee means an Employee who performs service during the determination year and is described in one or more of the following groups:

(i) An Employee who is a 5% owner, as defined in Code Section 416(i)(1)(A)(iii), at any time during the determination year or the look-back year.

(ii) An Employee who receives compensation in excess of $115,000 (indexed in accordance with Code Section 415(d)) during the look-back year and is a member of the top-paid group for the look-back year.

(b) For purposes of the definition of Highly Compensated Employee, the following definitions and rules shall apply:

(i) The determination year is the Plan Year for which the determination of who is highly compensated is being made.

(ii) The look-back year is the 12 month period immediately preceding the determination year, or if the Employer elects, the calendar year ending with or within the determination year.

(iii) The top-paid group consists of the top 20% of employees ranked on the basis of compensation received during the year. For purposes of determining the number of employees in the top-paid group, employees described in Code Section 414(q)(8) and Treasury Regulations Section 1.414(q)-1T Q&A 9(b) are excluded.

(c) Compensation is compensation within the meaning of Code Section 415(c)(3) plus, for purposes thereof, elective or salary reduction contributions to a cafeteria plan, cash or deferred arrangement under Code Section 401(k) or tax-sheltered annuity under Code Section 403(b), or made pursuant to Code Section 132(f)(4). Employers aggregated under Code Sections 414(b), (c), (m), or (o) are treated as a single employer.

2.21 Hours of Service means:

(a) Performance of Duties. The actual hours for which an Employee is paid or entitled to be paid by the Company for the performance of duties;

(b) Nonworking Paid Time. Each hour for which an Employee is paid or entitled to be paid by the Company on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity, disability (to the extent not already included in Compensation), layoff, jury duty, military duty or leave of absence; provided, however, no more than 501 Hours of Service shall be credited to an Employee under this subsection for any single continuous period (whether or not such period occurs in a single computation period); and provided further that no credit shall be given for payments made or due under a plan maintained solely for the purpose of complying with applicable worker's or unemployment compensation or disability insurance laws or for payments which solely reimburse an Employee for medical or medically related expenses incurred by the Employee; and

(c) Maternity, Paternity and FMLA Leave. Solely for purposes of determining whether a one year Break in Service has occurred for purposes of determining eligibility to participate and vesting, each hour for which an Employee is absent from employment by reason of (i) pregnancy of the Employee, (ii) birth of a child of the Employee, (iii) placement of a child in connection with the adoption of the child by an individual, or (iv) caring for the child during the period immediately following the birth or placement for adoption. Hours of Service shall also, for these limited purposes, include each hour for which an Employee who has worked for the Company or an Affiliate for at least 12 months and for at least 1,250 Hours of Service during the year preceding the start of the leave, is absent from employment on an unpaid family leave for up to 12 weeks, as provided for in the Family and Medical Leave Act of 1993 (the "FMLA Leave"), by reason of (A) the birth or adoption of a child, (B) the care of a spouse, child or parent with a serious health condition, or (C) the Employee's own serious health condition, provided that such an Employee provides the Company with a 30-day advance notice if the leave is foreseeable, and/or medical certification satisfactory to support the Employee's request for leave because of a serious health condition. For purposes of determining whether an Employee's leave qualifies as a "FMLA Leave" in order to be credited with Hours of Service under this Plan, the Family and Medical Leave Act of 1993 ("FMLA") and the regulations promulgated thereunder shall apply. During the period of absence, the Employee shall be credited with the number of hours that would be generally credited but for such absence or if the general number of work hours is unknown, eight Hours of Service for each normal workday during the leave (whether or not approved). These hours shall be credited to the computation period in which the leave of absence commences if crediting of such hours is required to prevent the occurrence of a one year Break in Service in such computation period, and in other cases, in the immediately following computation period. The computation period shall be the same as the relevant period for determining eligibility computation periods and vesting computation periods. Unless otherwise required under the FMLA and the regulations promulgated thereunder, no more than 501 Hours of Service shall be credited under this paragraph for any single continuous period (whether or not such period occurs in a single computation period).

(d) Back Pay. Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Company; provided, however, Hours of Service credited under paragraphs (a), (b) and (c) above shall not be recredited by operation of this paragraph.

(e) Equivalencies. The Administrative Committee shall have the authority to adopt any of the following equivalency methods for counting Hours of Service that are permissible under regulations issued by the Department of Labor: (i) Working Time; (ii) Periods of Employment; (iii) Earnings; or (iv) Elapsed Time. The adoption of any equivalency method for counting Hours of Service shall be evidenced by a certified resolution of the Committee, which shall be attached to and made part of the Plan. Such resolution shall indicate the date from which such equivalency shall be effective.

(f) Miscellaneous. Unless the Administrative Committee directs otherwise, the methods of determining Hours of Service when payments are made for other than the performance of duties and of crediting such Hours of Service to Plan Years set forth in Department of Labor Regulations Sections 2530.200b-2(b) and (c), shall be used hereunder and are incorporated by reference into the Plan.

Participants on military leaves of absence who are not directly or indirectly compensated or entitled to be compensated by the Company while on such leave shall be credited with Hours of Service as required by the Uniformed Services Employment and Reemployment Rights Act.

Notwithstanding any other provision of this Plan to the contrary, an Employee shall not be credited with Hours of Service more than once with respect to the same period of time.

2.22 Investment Manager means an investment advisor, bank or insurance company, meeting the requirements of ERISA Section 3(38), appointed by the Company to manage the Plan's assets in accordance with the Trust Agreement.

2.23 Leased Employee means any person who performs services for an Employer or an Affiliate (the "recipient") (other than an Employee of the "recipient") pursuant to an agreement between the "recipient" and any other person (the "leasing organization") on a substantially full-time basis for a period of at least one year, provided that such services are performed under primary direction of or control by the "recipient".

2.24 Meridian 401(k) Plan means the Meridian Bank 401(k) Profit Sharing Plan and any successor plan thereto.

2.25 Normal Retirement Date means the first day of the calendar month coincident with or next following the later of (i) the date on which a Participant attains age 65 or (ii) the fifth anniversary of the date on which the Participant commences participation in the Plan; provided, however, that Normal Retirement Date means, with respect to a Participant who participates in the Meridian 401(k) Plan and who commences participation in the Plan on the Effective Date, the earlier of his Normal Retirement Date under this Section 2.25 or the date on which he attains his "Normal Retirement Age" under the Meridian 401(k) Plan.

2.26 Participant means an Employee participating in the Plan in accordance with Article III.

2.27 Plan means the Meridian Bank Employee Stock Ownership Plan, as set forth in this document and in the Trust Agreement pursuant to which the Trust is maintained, in each case as amended from time to time.

2.28 Plan Year means the calendar year.

2.29 Suspense Account means the account established and maintained to hold Company Stock acquired with the proceeds of an Exempt Loan and held in the Trust, which

Company Stock has not been allocated to the Accounts of Participants with respect to the year of such acquisition.

2.30 Trust means the assets and all income, gains and losses thereon held by the Trustee under the Trust Agreement for the exclusive benefit of Participants and Beneficiaries of the Plan.

2.31 Trust Agreement means the agreement of Trust established by the Company and the Trustee for purposes of holding title to the assets of the Plan.

2.32 Trustee means the trustee as named in the Trust Agreement, or a successor thereto or substitute therefor, in any case as appointed by the Board of Directors of the Company in accordance with Article XII to hold legal title to the assets of the Trust and that expressly agrees to be bound by the terms and conditions of the Trust Agreement.

2.33 Valuation Date means the last business day of each calendar year, and such other more frequent dates as the Administrative Committee may from time to time establish.

2.34 Year of Service means a Plan Year during which a Participant is credited with at least 1,000 Hours of Service. Years of Service shall include all periods of employment with the Employer prior to the Plan's Effective Date.

ARTICLE III
ELIGIBILITY

3.1 Eligibility Generally. An Employee shall be eligible to become a Participant in the Plan as of the later of the date on which the Employee attains age 21 or completes three (3) months of service. For this purpose, an Employee shall be credited with one month of service for each month that the Employee is credited with one Hour of Service. An individual who is an Employee as of the Effective Date shall have his service with the Employer prior to the Effective Date taken into account for purposes of this Section 3.1.

The following individuals shall not be eligible to participate in the Plan:

(a) Leased Employees;

(b) Individuals whose employment with the Company or an Affiliate is governed by a collective bargaining agreement between the Company and employer representatives if evidence exists that retirement benefits were a subject of good faith bargaining between the parties, and provided such bargaining agreement does not provide for participation in this Plan; and

(c) Non-resident aliens who do not receive earned income from sources within the United States.

3.2 Commencement of Participation. Each Employee who has satisfied the requirements of Section 3.1 of the Plan shall commence participation in the Plan on the Entry Date concurrent with or next following the date on which such requirements are satisfied. Notwithstanding the foregoing, each individual who, as of the Effective Date, is an Employee and satisfied the requirements of Section 3.1 of the Plan shall become a Participant as of the Effective Date.

3.3 Cessation of Participation. An Employee shall cease to be a Participant upon the earliest of (a) the date on which the Employee retires under the Plan; (b) the date on which the Employee's employment with the Company terminates for any reason, including death or Disability; (c) the date on which the Employee's employment with the Company is governed by a collective bargaining agreement that does not provide for participation in this Plan; or (d) the date on which the Employee becomes a "leased employee" as defined in Code Section 414(n).

3.4 Participation upon Reemployment.

(a) Previous Employment after Effective Date. Upon the reemployment of an Employee who had previously been employed by the Company on or after the Effective Date, the following rules shall apply in determining the Employee's participation in the Plan:

(i) No Prior Participation. If the reemployed Employee was not a Participant in the Plan during the prior period of employment and the reemployed Employee incurred a Break in Service, only service with the Company after reemployment will count for purposes of satisfying the requirements of Section 3.1 of the Plan. If the reemployed Employee was not a Participant in the Plan during the prior period of employment and the reemployed

Employee did not incur a Break in Service, the Employee's service during his prior period of employment will be aggregated with his service following his reemployment for purposes of satisfying the requirements of Section 3.1 of the Plan.

(ii) Prior Participation. If the reemployed Employee was a Participant in the Plan during his prior period of employment, the reemployed Employee shall resume participation in the Plan on the date of the Employee's reemployment.

(b) No Previous Employment after Effective Date. Upon the reemployment of an Employee who was previously employed with the Company but whose previous employment terminated prior to the Effective Date, only the Employee's service with the Company after reemployment will count for purposes of satisfying the requirements of Section 3.1 of the Plan.

3.5 Change in Control. Notwithstanding the provisions of this Article III or any other provisions of the Plan to the contrary, upon a Change in Control, no additional Employee nor reemployed Employee (who was not already a Participant at the time of his reemployment by virtue of having an Account under the Plan attributable to his previous period of employment) shall be eligible to become a Participant in the Plan.

ARTICLE IV
VESTING

4.1 In General. Each Participant shall have a vested interest in the Participant's Account, if any, in accordance with the following vesting schedule:

Years of Service	Vested Percentage
0-2 Years of Service	0%
3 or more Years of Service	100%

A Participant's service with the Company prior to the Effective Date shall count for determining the Participant's Years of Service for vesting purposes, provided that the Participant was an Employee as of the Effective Date.

4.2 Normal Retirement Date. Notwithstanding the provisions of Section 4.1 of the Plan, a Participant whose employment terminates on or after such Participant's Normal Retirement Date shall be 100 percent vested.

4.3 Death. Notwithstanding the provisions of Section 4.1 of the Plan, a Participant whose employment is terminated on account of death shall be 100 percent vested.

4.4 Vesting upon Reemployment. Upon the reemployment of any individual who had previously been employed by the Company on or after the Effective Date, the following rules shall apply in determining the reemployed Employee's vesting in the Plan:

(a) Five Consecutive Breaks in Service. If a Participant has five consecutive Breaks in Service, all Years of Service after such Breaks in Service will be disregarded for the purpose of vesting the Participant's Account balance that accrued before such Breaks in Service. Both pre-Break and post-Break service, however, will count for the purposes of vesting in the Participant Account balance that accrues after such Breaks in Service. The Participant's pre-Break and post-Break Account balances will both share in the earnings and losses of the Plan.

(b) Less than Five Consecutive Breaks in Service. If a Participant does not have five consecutive Breaks in Service, both the pre-Break and post-Break service will count in vesting all Account balances.

4.5 Forfeiture of Account. If, prior to being 100 percent vested in his Account, a Participant terminates employment for a reason other than death or attainment of his Normal Retirement Date, then the nonvested portion of the Participant's Account will be forfeited and allocated as of the end of the Plan Year in which the Participant incurs a five-year Break in Service or, if earlier, the end of the Plan Year in which the Participant receives a distribution, including a deemed distribution under Section 9.3, of the vested portion of his Account. Assets in the Participant's Account other than Company Stock acquired with the proceeds of an Exempt Loan will be forfeited before Company Stock acquired with the proceeds of an Exempt Loan are forfeited. Forfeitures shall be allocated to the Accounts of all Participants who are eligible to receive a Company contribution for the Plan Year or, in the Company's discretion, used to pay

Plan administrative expenses. Forfeitures allocated to Participants shall be allocated in the same manner that Employer contributions are allocated under Section 5.5.

If any former Participant's Account has been distributed in accordance with Article IX and the nonvested portion of the Participant's Account has been forfeited in accordance with this Section 4.5, the Participant's nonvested portion of his Account shall be restored if (i) he is reemployed by the Employer before incurring five (5) consecutive Breaks in Service, and (ii) he repays to the Plan within five (5) years of his reemployment, a cash lump sum payment equal to the full amount distributed to him from the Plan on account of his severance from employment. In the event of a deemed distribution for a Participant with a vested Account balance of zero, the undistributed portion of the Participant's account must be restored in full, unadjusted by any gains or losses occurring subsequent to the Valuation Date coinciding with or next following the Participant's termination of employment. The source for reinstatements shall be any forfeitures occurring during the Plan Year. If such source is insufficient, then the Employer shall contribute an amount which is sufficient to restore any such forfeited account; provided, however, that if a discretionary contribution is made for such Plan Year pursuant to Section 5.1, such contribution shall first be applied to restoring such accounts and the remainder shall be allocated in accordance with Section 5.5.

4.6 <u>Change in Control</u>. Notwithstanding the provisions of Section 4.1 of the Plan, a Participant shall be 100 percent vested upon a Change in Control.

ARTICLE V
CONTRIBUTIONS AND ALLOCATIONS

5.1 Company Contributions. The Company shall contribute cash or shares of Company Stock, or both, to the Plan as follows:

(a) First, cash in an amount equal to the matching contribution amount specified in the Meridian 401(k) Plan on behalf of Participants who participate in the Meridian 401(k) Plan and are eligible to receive a matching contribution thereunder; and

(b) Second, additional cash or shares of Company Stock in such amount as may be determined by the Board of Directors in its discretion.

In the event shares of Company Stock are sold to the Trustee for a Plan Year, the fair market value of such Company Stock shall be determined in accordance with the provisions of Article VIII.

5.2 Time and Manner of Contributions. All Company contributions made under Section 5.1(a) shall be made as soon as administratively feasible following the period to which it relates and all Company contributions made under Section 5.1(b) shall be made not later than the date prescribed by law for filing the Company's federal income tax return (including extensions, if any) for the Company's taxable year that ends within or with the Plan Year. All Company contributions shall be paid directly to the Trustee.

5.3 Employee Contributions. Participants are neither permitted nor required to make contributions to the Plan.

5.4 Recovery of Contributions. The Company may recover contributions to the Plan only as set forth in this Section 5.4.

(a) Contributions made to the Plan shall be conditioned upon the initial and continuing qualification of the Plan. If the Plan is determined to be disqualified, contributions made in respect of any period subsequent to the effective date of such disqualification shall be returned to the Company. With respect to the initial qualification of the Plan, the Company may recover contributions only if (i) the Plan receives an adverse determination letter with respect to its initial qualification and (ii) the application for determination letter is filed within the applicable remedial amendment period that applies to new plans (determined in accordance with the concepts of Rev. Proc. 2007-44).

(b) Contributions made to the Plan shall be conditioned upon their deductibility under the Code. To the extent that a deduction is disallowed for any contribution, such amount shall be returned to the Company within one year after the disallowance of the deduction.

(c) If a contribution, or any part thereof, is made on account of a mistake of fact, the amount of the contribution attributable to such mistake shall be returned to the Company within one year after it is made.

5.5 Allocation of Employer Contributions. Subject to the limitations set forth in Article VI and the provisions of Section 17.3(b), Company contributions made to the Trust shall be allocated to Participants' Accounts as follows:

(a) Matching Contribution. The Company contribution made pursuant to Section 5.1(a) shall be allocated to the Matching Contribution Accounts of all Participants who are eligible to receive a matching contribution under the Meridian 401(k) Plan in an amount equal to the amount specified in the Meridian 401(k) Plan.

(b) Discretionary Contributions. Company contributions made pursuant to Section 5.1(b) shall be allocated to the Employer Contribution Accounts of all Participants who complete 1,000 Hours of Service during the Plan Year and are actively employed as of the last day of the Plan Year; provided, however, that if the Plan terminates due to a Change in Control prior to the last day of the Plan Year, then Company contributions made pursuant to Section 5.1(b) for the period from the first day of the Plan Year through the date of the Change in Control shall be allocated to the Employer Contribution Accounts of Participants who are actively employed on the date of the Change in Control without regard to their respective Hours of Service during such period. Company contributions made pursuant to Section 5.1(b) shall be allocated to an eligible Participant's Account in the ratio that such Participant's Compensation for the Plan Year bears to the total Compensation of all eligible Participants for the Plan Year.

5.6 Income on Investments. The income, gains, and losses attributable to investments under the Plan shall be allocated as of each Valuation Date or at such other times as the Administrative Committee may determine to the Accounts of Participants and Beneficiaries who have undistributed balances in their Accounts on the Valuation Date, in proportion to the amounts in the Accounts immediately after the preceding Valuation Date, but after first reducing each Account by any distributions, withdrawals or transfers from the Trust during the interim period and increasing each Account by any transfers to the Trust and by contributions made to the Trust during the interim period.

Distributions from the Plan shall include income, gains, and losses accrued as of the coincident or immediately preceding Valuation Date, and shall not be adjusted proportionately to reflect any income, gains, or losses accrued after that Valuation Date. All valuations shall be based on the fair market value of the assets in the Trust on the Valuation Date.

5.7 Certain Stock Transactions. Shares of Company Stock received by the Trustee as a result of a stock split, dividend, conversion, or as a result of a reorganization or other recapitalization of the Company shall be allocated as of the day on which such shares are received by the Trustee in the same manner as the shares of Company Stock to which they are attributable are then allocated.

5.8 Valuation of Trust Fund. As of each Valuation Date, the Trustee shall determine the fair market value of the Trust, after deducting withdrawals, distributions, and any expenses of Plan administration paid out of the Trust, and including any contributions allocated to Participants' Accounts, for the valuation period ending on the Valuation Date. In determining value, the Trustee may use such generally accepted methods as the Trustee, in its discretion, deems advisable, which, in the case of Company Stock shall be in accordance with the provisions of Article VIII.

ARTICLE VI
LIMITATIONS ON ALLOCATIONS

6.1 415 Limitations.

(a) Participation Solely in This Plan. If the Participant does not participate in, and has never participated in another plan qualified under Code Section 401(a) that is maintained by the Employer, or a welfare benefit fund (as defined in Code Section 419(e)) maintained by the Employer, or an individual medical account (as defined in Code Section 415(l)(2)) maintained by the Employer, which provides an Annual Addition, the amount of Annual Additions which may be credited to the Participant's Account for any Limitation Year shall not exceed the lesser of the Maximum Permissible Amount or any other limitation contained in the Plan. If, prior to making the contribution, the Company's contribution that would otherwise be contributed or allocated to the Participant's Account would cause the Annual Additions for the Limitation Year to exceed the Maximum Permissible Amount, the amount to be contributed will be reduced so that the Annual Additions for the Limitation Year will equal the Maximum Permissible Amount.

(b) Participation in Another Defined Contribution Plan. This Section 6.1(b) applies if a Participant is also covered under another defined contribution plan or a welfare benefit fund (as defined in Code Section 419(e)), an individual medical account (as defined in Code Section 415(l)(2) or a simplified employee pension (as defined in Code Section 408(k)) maintained by the Employer which provides an Annual Addition during any Limitation Year. If the Participant participates in one or more such plans, all reductions in Annual Additions shall be made under such plans and not under this Plan. In the event that, notwithstanding the preceding sentence, the Annual Additions to be credited under this Plan should exceed the Maximum Permissible Amount after the Annual Additions which would otherwise be credited to the Participant's Account under any other such plan are reduced, reductions in this plan shall be made in the manner set forth in Section 6.1(a) of the Plan.

(c) Definitions. The following definitions apply solely for purposes of this Section 6.1.

(i) Annual Additions means the sum of the following amounts credited to a Participant's Account for the Limitation Year:

(A) employer contributions

(B) employee contributions

(C) forfeitures

(D) amounts allocated to an individual medical account (as defined in Code Section 415(l)(2)) which is part of a pension or annuity plan maintained by the Employer which are treated as Annual Additions to a defined contribution plan, and

(E) amounts derived from contributions paid or accrued, which are attributable to post-retirement medical benefits, allocated to the separate account of a key employee, as defined in Code Section 419A(d)(3), under a welfare benefit fund maintained by the Employer which are treated as Annual Additions to a defined contribution plan.

For purposes of this Section 6.1(c)(i), the amount of employer contributions credited to a Participant as an Annual Addition for a Limitation Year in which a payment is made with respect to the principal and interest for an Exempt Loan shall include the Participant's proportionate share of the lesser of (i) the amount of Company contributions credited to the Participant's Account for the Limitation Year, or (ii) the fair market value of the shares of Company Stock credited to the Participant's Account resulting from the release of shares on account of such payment.

(ii) Employer means the Company and all members of a controlled group of corporations (as defined in Code Section 414(b) and modified by Code Section 415(h)) all commonly controlled trades or businesses (as defined in Code Section 414(c) as modified by Code Section 415(h)), any affiliated service group (as defined in Code Section 414(m)) of which the Company is a part, and any other entity required to be aggregated with the Employer pursuant to regulations under Code Section 414(o).

(iii) Excess Amount means the excess of the Participant's Annual Additions for the Limitation Year over the Maximum Permissible Amount.

(iv) Limitation Year means the calendar year.

(v) Maximum Permissible Amount means the Maximum Annual Additions that may be contributed or allocated to a Participant's Account for any Limitation Year. Such amount shall not exceed the lesser of:

(A) $51,000 (as adjusted for increases in the cost-of-living under Code Section 415(d)), or

(B) 100 percent of the Participant's Compensation for the Limitation Year.

The Maximum Permissible Amount shall be pro-rated in the case of any Limitation Year of less than 12 months created by the changing of the Limitation Year.

If the Company is a C Corporation as defined in Code Section 1361(a)(2) and no more than one-third of Company contributions to the Plan for a Plan Year which are deductible under Code Section 404(a)(9) are allocated to the Accounts of Participants who are Highly Compensated Employees, there shall be excluded in determining the Maximum Permissible Amount of each Participant for such Plan Year (A) the contributions applied to the payment of interest on an Exempt Loan; and (B) any forfeitures of Company contributions if the forfeited contributions were Company Stock acquired with the proceeds of an Exempt Loan.

6.2 Code Section 409(n) Provisions.

(a) No portion of the assets of the Plan attributable to (or allocable in lieu of) Company Stock acquired by the Plan in a sale to which Code Section 1042 applies may be allocated to the Account of (i) any Qualifying Selling Shareholder during the Nonallocation Period, or (ii) any other person who owns more than 25 percent of (A) any class of outstanding stock of the Company or any of its Affiliates, or (B) the total value of any class of outstanding stock of the Company or any of its Affiliates.

(b) For purposes of this Section 6.2, the following initially capitalized words shall have the following meanings:

(i) "Affiliate" means Affiliate as defined in Section 2.3 of the Plan modified in accordance with Code Section 409(l)(4).

(ii) "Qualifying Selling Shareholder" means any shareholder of Company Stock who makes an election under Code Section 1042(a) with respect to Company Stock, or any individual who is related to (within the meaning of Code Section 267(b)) the shareholder of Company Stock as defined above. The term shall not include any lineal descendant of such shareholder or if the aggregate amount allocated to the benefit of all such lineal descendants during the Nonallocation Period does not exceed more than 5 percent of Company Stock (or amounts allocated in lieu thereof) held by the Plan which are attributable to a sale to the Plan by any person related to such descendants (within the meaning of Code Section 267(c)(4)) in a transaction to which Code Section 1042 applied.

(iii) "Nonallocation Period" means the period beginning on the date of the sale of Company Stock and ending on the later of the date which is 10 years after the date of the sale, or the date of the Plan allocation attributable to the final payment of acquisition indebtedness incurred in connection with such sale.

6.3 <u>Code Section 409(p) Provisions</u>. In the event that the Company is an "S corporation" (as that term is defined in Code Section 1361(a)(1)) for a Plan Year, the provisions of this Section 6.3 shall apply.

(a) <u>In General</u>. No portion of the assets of the Plan attributable to (or allocable in lieu of) Company Stock may, during a Nonallocation Year, accrue under the Plan, or be allocated directly or indirectly under any plan of the Company meeting the requirements of Code Section 401(a) (including the Plan), for the benefit of any Disqualified Person.

(b) <u>Nonallocation Event Provisions</u>.

(i) In the case of a Nonallocation Event, shares of Company Stock held under the Plan before the date of the Nonallocation Event shall be transferred from the ESOP portion of the Plan to the Non-ESOP portion of the Plan. The shares of Company Stock transferred shall be the amount that the Committee determines to be the minimum amount that is necessary to ensure that a Nonallocation Year does not occur. The Committee shall take steps to ensure that all actions necessary to implement the transfer are taken before the Nonallocation Event occurs.

(ii) At the date of the transfer, the total number of shares of Company Stock transferred, as provided for in 6.3(b)(i), shall be reduced against the Accounts of Participants who are Disqualified Persons (i) by first reducing the Account of the Participant who is a Disqualified Person and whose Account has the largest number of shares of Company Stock (with the addition of Unallocated Shares and Synthetic Equity, if any) and (ii) thereafter by reducing the Accounts of each succeeding Participant who is a Disqualified Person and who has the largest number of shares of Company Stock in his or her Account (with the addition of Unallocated Shares and Synthetic Equity, if any). Immediately following the transfer, the number of transferred shares of Company Stock charged against any Participant's Account shall be credited to the Participant's Non-ESOP Account established for that Participant in the Non-ESOP Portion of the Plan. Notwithstanding the foregoing, in the event that the transfer will result in fewer shares being transferred, the number of shares of Company Stock transferred shall be charged against the Accounts of Participants who are Disqualified Persons (i) by first reducing the account of the Participant with the fewest shares of Company Stock (with the addition of Unallocated Shares and Synthetic Equity, if any) who is a Disqualified Person and who is a Highly Compensated Employee to cause the Participant not to be a Disqualified Person, and (ii) thereafter reducing the account of each other Participant who is a Disqualified Person and a Highly Compensated Employee, in order of who has the fewest shares of Company Stock in his or her Account (with the addition of Unallocated Shares and Synthetic Equity, if any). For purposes of this Section 6.3(b)(ii), if two or more Participants have the same number of shares, an equal number of shares of Company Stock shall be transferred from the Account of each such Participant.

(iii) If the Trust owes income taxes as a result of unrelated business taxable income under Code Section 512(e) with respect to shares of Company Stock held in the Non-ESOP Portion of the Plan, the income tax payments made by the Trustee shall be charged against the Accounts of each Participant who has an account in the Non-ESOP Portion of the Plan in proportion to the ratio of the shares of Company Stock in such Participant's account in the non-ESOP Portion of the Plan to the total shares of Company Stock in the Non-ESOP Portion of the Plan. The Company shall purchase, with cash, shares of Company Stock from the Trustee (based on the fair market value of the shares so purchased) from each such account in the Non-ESOP Portion of the Plan to the extent cash is not otherwise available to make the income tax payments from the Participant's Account.

(c) Definitions. For purposes of this Section 6.3, the following initially capitalized words shall have the following meanings:

(i) "Disqualified Person" shall mean any "disqualified person" as defined in Section 409(p)(4) of the Code and the regulations issued with respect thereto.

(ii) "Nonallocation Event" shall mean any event that the Committee determines would otherwise cause a Nonallocation Year to occur. Events that may cause a Nonallocation Year include, but are not limited to, a contribution to the Plan in the form of Company Stock, a distribution from the Plan in the form of shares of Company Stock, a change of investment within a Disqualified Person's Account that alters the number of shares of Company Stock held in the Disqualified Person's Account, or the issuance by the Company of Synthetic Equity, if any. A Nonallocation Event occurs only if (i) the total number of shares of Company Stock held in the ESOP account of those Participants who are or who would be Disqualified Persons after taking into account the Participant's Synthetic Equity, if any, and the Nonallocation Event exceeds (ii) the number of shares of Employer Stock equal to 49% of the total number of shares of Employer Stock outstanding after taking the Nonallocation Event into account (causing a Nonallocation Year to occur).

(iii) "Nonallocation Year" shall mean a "nonallocation year" as defined in Section 409(p)(3) of the Code and the regulations issued with respect thereto.

(iv) "Non-ESOP Portion of the Plan" shall mean assets held under a portion of the Plan that is not an employee stock ownership plan, within the meaning of Code Section 4975(e)(7). Amounts held in the Non-ESOP Portion of the Plan shall be held in accounts that are separate from the Accounts held in the remainder of the Plan. Any statements provided to Participants to show their interest in the Plan shall separately identify the amounts held in each such portion of the Plan. Except as specifically set forth in this Section 6.3(c), all of the terms of the Plan apply to any amount held under the Non-ESOP Portion of the Plan in the same manner and to the same extent as an amount held in the Account.

(v) "Synthetic Equity" shall mean "synthetic equity" as defined in Section 409(p)(6)(C) of the Code and regulations issued with respect thereto.

(vi) "Unallocated Shares" shall mean shares of Employer Stock not allocated to the Participant's Total Account as described in Section 409(p)(4)(C)(i)(II) of the Code and the regulations issued with respect thereto.

6.4 Limitations on Company Contributions. With respect to matching contributions under Section 5.1(a), the Plan shall be aggregated with the Meridian 401(k) Plan for purposes of the actual contribution percentage requirements of Code Section 401(m)(2) and the Plan shall use the same actual contribution percentage testing method as the Meridian 401(k) Plan. Any additional Company contributions, reductions in account balances, or re-characterizations of Company contributions that are necessary for the aggregated plans to pass such testing requirements for the Plan Year shall be made under the Meridian 401(k) Plan.

ARTICLE VII
INVESTMENT OF ASSETS

All assets of the Plan shall be held in the Trust. The Trustee shall use the proceeds of the Exempt Loan and all Company contributions, other than cash needed to satisfy the Plan's ongoing liquidity needs, to purchase Company Stock in open market transactions or from other stockholders, or to buy newly issued Company Stock from the Company. If the purchase is from the Company or a Disqualified Person, such purchase shall be for adequate consideration and no commission is to be charged with respect to the purchase. If no Company Stock is available for purchase or the Trustee determines that cash is needed to meet the Plan's liquidity needs, then the Trustee shall invest in other securities or property, real or personal, consistent with the requirements of Title I of ERISA. These other securities, property and cash shall be held by the Trustee in the Trust's investment fund. The investment fund income shall be allocated as of each Valuation Date to Participants' Accounts in accordance with Section 5.6 of the Plan.

ARTICLE VIII
COMPANY STOCK APPRAISAL

The fair market value of Company Stock shall be determined, on any relevant day, as follows: (a) if such stock is then traded in the over-the-counter market, the closing sale price for the most recent date (including such relevant day) during which a trade in such stock has occurred, or (b) if such stock is then traded on a national securities exchange, the closing sale price for the most recent date (including such relevant date) during which a trade in such stock has occurred. In accordance with the provisions of Code Section 401(a)(28)(C), if Company Stock is not actively traded in the over-the-counter market, or on a national securities exchange, fair market value shall be determined by the Trustee based upon a valuation of Company Stock made by an independent appraiser who satisfies requirements similar to those contained in regulations issued under Code Section 170(a)(1).

ARTICLE IX
DISTRIBUTIONS

9.1 Termination of Employment. In the event of the Participant's termination of employment for any reason (including attainment of Normal Retirement Date or on account of death), a Participant shall be entitled to a distribution of all amounts determined under Article IV that are credited to the Participant's Account at the times set forth in this Article IX.

9.2 Death. Upon the death of a Participant, all amounts credited to the Participant's Account shall be distributed to the Participant's Beneficiary, determined in accordance with this Section 9.2.

(a) The Administrative Committee may require such proof of death and such other evidence of the right of any person to receive payment of the Account of a deceased Participant as the Administrative Committee deems necessary. The Administrative Committee's determination of death and of the right of any person to receive payment shall be conclusive and binding on all parties.

(b) The Beneficiary upon the death of a Participant shall be the Participant's spouse; provided, however, that the Participant may designate, on a form provided by the Administrative Committee for such purpose, a Beneficiary other than the Participant's spouse, if:

(i) the spouse has waived the right to be the Participant's Beneficiary in the manner set forth in subsection (c) of this Section 9.2; or

(ii) the Participant has established to the satisfaction of the Administrative Committee that the Participant has no spouse or that the spouse cannot be located.

(c) Any consent by a Participant's spouse to waive a death benefit must be filed with the Administrative Committee in writing, in a manner, and on a form provided by the Committee for such purpose. The spouse's consent must acknowledge the effect of the consent and must be witnessed by a notary public or a Plan representative. The designation of a Beneficiary other than spouse made by a married Participant must be consented to by the Participant's spouse and may be revoked by the Participant in writing without the consent of the spouse. Any new beneficiary designation must comply with the requirements of this subsection (c). A former spouse's waiver shall not be binding on a new spouse.

(d) In the event the designated Beneficiary fails to survive the Participant, or if such designation shall be ineffective for any reason, the Participant's Account shall be paid in the following order of priority: first to the Participant's surviving spouse, if any; second, if there is no surviving spouse, to the Participant's surviving children, if any, in equal shares; third, if there is neither a surviving spouse nor surviving children, to the legal representatives of the estate of the Participant.

9.3 Time of Payment.

(a) Normal Retirement Age, Death, or Disability. If a Participant terminates employment on or after attaining his or her Normal Retirement Date or due to death or Disability, the distribution of the Participant's Account shall begin as soon as administratively feasible, but not later than 180 days after the end of the Plan Year, in which the Participant's termination of employment occurred.

(b) Termination of Employment. If a Participant terminates employment prior to attaining his or her Normal Retirement Date, or prior to death or Disability, the distribution of the Participant's Account shall begin not later than 180 days after the end of the Plan Year that contains the later of:

(i) the Plan Year in which the Plan's Exempt Loan, if any, has been repaid in full; and

(ii) the earlier of:

(A) the fifth anniversary of the Participant's termination of employment unless the Participant is reemployed by the Company before distributions begin; and

(B) the Plan Year in which the Participant attains his or her Normal Retirement Date.

(c) Small Distributions. Notwithstanding the foregoing provisions of this Section 9.3, in the event a Participant does not have a vested balance in his or her Account on the date the Participant terminates employment, the Participant's account shall be deemed to have been distributed as a zero dollar deemed distribution as of the date the Participant terminated employment. In the event a Participant has a vested Account balance that exceeds zero but does not exceed $1,000 at any time after the Participant terminates employment, the entire vested Account of the Participant shall be distributed as soon as administratively feasible.

(d) Distributions to Alternate Payees. A payment to an alternate payee under a qualified domestic relations order, as such term is defined in Code Section 414(p), shall be made as soon as administratively feasible following the determination that such domestic relations order is qualified even if such distribution is prior to the Participant's earliest retirement age (as defined in Code Section 414(p)(4)(B)).

9.4 Manner of Making Payments.

(a) In General. Distributions will be made by payment in a series of substantially equal annual installments over a period not to exceed 5 years, provided the maximum period over which the distribution of a Participant's Account may be made shall be extended by 1 year, up to 5 additional years, for each $200,000 or fraction thereof (as adjusted pursuant to Code Section 409(o)(2)) by which such Participant's Account exceeds $1,035,000 (as adjusted pursuant to Code Section 409(o)(2)). Notwithstanding the foregoing, a Participant who has attained his Normal Retirement Date may elect to receive a lump sum distribution of his Account.

(b) Death. Notwithstanding the foregoing provisions of this Section 9.4, in the event of the Participant's death, the vested portion of such Participant's Account shall be distributed in a lump sum distribution.

(c) Small Distributions. Notwithstanding the foregoing provisions of this Section 9.4, in the event the vested portion of a Participant's Account equals $1,000 or less at any time after the Participant terminates employment, the vested portion of the Participant's Account shall be distributed in a lump sum cash distribution as soon as administratively feasible.

9.5 Form of Payment. Distribution of a Participant's Account balance shall be made in whole shares of Company Stock and cash to the extent that his Account balance includes any cash or fractional shares at the time of distribution; provided, however, that a Participant may elect to have his entire Account balance distributed in cash. Notwithstanding the foregoing, if (i) the Company is not a bank as defined in Code Section 581, and (ii) either (a) the Company's Certificate of Incorporation or its Bylaws restrict ownership of substantially all of the Company's Company Stock to its employees and/or trusts described in Code Section 401(a), or (b) the Company is an S Corporation as defined in Code Section 1361(a)(2), then distribution of a Participant's Account will be paid in cash, or at the discretion of the Committee, in Company Stock which must immediately be sold to the Company under terms which meet the requirements of Section 10.2, and the distributee shall not have any right to request that the Participant's Account balance be paid in Company Stock.

Distributions of cash shall be the fair market value of each share multiplied by the number of shares credited to the Participant's Account, with appropriate adjustments to reflect intervening stock dividends, stock splits, stock redemptions, or similar changes to the number of outstanding shares. The fair market value of a share shall be determined as of the Valuation Date coinciding with or immediately preceding the date the distribution is made or, in the case of a transaction between the Plan and a Disqualified Person, determined as of the date of the transaction.

9.6 Direct Rollover.

(a) Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article IX, a distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) For purposes of this Section 9.6, the following definitions apply:

(i) "Eligible rollover distribution". An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code Section 401(a)(9); a distribution on account of hardship; or the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

(ii) "Eligible retirement plan". An eligible retirement plan is an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state, or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), an annuity contract described in Code Section 403(b), a qualified plan described in Code Section 401(a), or a Roth IRA described in Code Section 408A that accepts the distributee's eligible rollover distribution. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p).

(iii) "Distributee". A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p), are distributees with respect to the interest of the spouse or former spouse. A distributee also includes the Participant's nonspouse designated Beneficiary, in which case, the direct rollover may be made only to an individual retirement account or annuity described in Code Sections 408(a) or 408(b) that is established on behalf of the designated Beneficiary and that will be treated as an inherited IRA pursuant to the provisions of Code Section 402(c)(11); provided, however, that the determination of any required minimum distribution that is ineligible for rollover shall be made in accordance with Notice 2007-7, Q&A 17 and 18.

(iv) "Direct rollover". A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

9.7 Diversification Election. Notwithstanding any provision of this Article to the contrary, a Participant who has attained age 55 and completed at least ten years of participation in this Plan may elect in writing, on a form provided by the Administrative Committee for such purpose, within ninety days after the close of each Plan Year during the Qualified Election Period, to direct the investment of a portion of the Participant's interest in the Company Stock Account not in excess of 25 percent of such interest, less amounts subject to all prior elections under this Section 9.7 as a transfer to the applicable Company defined contribution plan which permits Participants to make investment elections. For this purpose, the applicable Company defined contribution plan shall be the Meridian 401(k) Plan. Upon a Participant's election to diversify a portion of the Participant's interest in the Company Stock Account, Company Stock in an amount equal to the portion so elected, valued as of the Valuation Date concurrent with or immediately preceding the date of such election will be transferred to the applicable Company defined contribution plan which permits Participants to make investment elections. A participant may then make investment elections among the several funds. Starting from the sixth Plan Year during the Qualified Election Period of a Participant, 50 percent shall be substituted for 25 percent in the preceding sentence.

For purposes of this Section 9.7, "Qualified Election Period" means, with respect to a Participant, the period beginning with the later of (a) the Plan Year in which the Participant attains age 55 or (b) the Plan Year in which the Participant completes at least ten years of participation in the Plan and ending with the year in which the Participant terminates employment for any reason.

In the event that the Company Stock becomes readily tradable on an established securities market within the meaning of Treasury Regulation 1.401(a)(35)-1(f)(5), then the provisions of this Section 9.7 shall be inapplicable and the diversification requirements of Code Section 401(a)(35) shall instead apply.

9.8 Election to Retain Interests in Plan. No distribution shall be made to a Participant before such Participant's Normal Retirement Date unless (a) the Participant's prior written consent to the distribution has been obtained by the Administrative Committee, (b) the value of the Participant's vested Account does not exceed $1,000 as of the date of the distribution, or (c) the Plan receives a determination from the Internal Revenue Service that the Plan is qualified upon termination.

9.9 Mandatory Distributions.

(a) Subject to the provisions of Section 9.3 of the Plan, unless a Participant otherwise elects in writing, payment of benefits under this Plan shall commence not later than one hundred eighty days after the close of the Plan Year in which the latest of the following dates occur:

(i) the date on which the Participant attains age 65;

(ii) the 10th anniversary of the date on which the Participant commenced participation in the Plan; or

(iii) the date the Participant terminates employment with the Company.

(b) Any provision of this Plan to the contrary notwithstanding, all amounts credited to a Participant's Account shall commence to be distributed not later than the later of (i) April 1 of the calendar year following the calendar year in which the Participant attains age 70½ or (ii) the date the Participant terminates employment with the Company; except that distributions to a 5% owner (as defined in Code Section 416) must commence by the April 1 of the calendar year following the calendar year in which such Participant attains age 70½. Unless paid quicker pursuant to another provision in the Plan, any and all subsequent distributions shall be made in accordance with the rules set forth in Code Section 401(a)(9) and Treas. Reg. Sections 1.409(a)(9)-2 through 1.409(a)(9)-9, including the minimum distribution incidental death requirements of Code Section 401(a)(9)(G).

9.10 Dividend Distributions.

(a) Any cash dividends on Company Stock acquired with the proceeds of an Exempt Loan and held in the Suspense Account shall, at the Committee's discretion, be applied first to repay principal and interest of the Exempt Loan. In addition, at the Committee's discretion, any cash dividends on shares of Company Stock acquired with the proceeds of the Exempt Loan and allocated to Participant's Accounts may be used to pay the principal and/or the interest of the Exempt Loan subject to the provisions of Section 17.3(b) of the Plan.

(b) Notwithstanding Section 9.10(a), cash dividends paid by the Company with respect to shares of Company Stock held by the Plan and allocated to Participants' Accounts shall, in the discretion of the Administrative Committee, (i) be paid in cash directly to the Participants or their Beneficiaries, (ii) be allocated to the appropriate Accounts of Participants and distributed in cash to Participants or their Beneficiaries not later than ninety (90) days after the close of the Plan Year in which such dividends are paid, (iii) be distributed or reinvested in Company Stock pursuant to a Participant's or Beneficiary's election as described below, or (iv) be used to make payments on an Exempt Loan as provided in Section 9.10(a).

If the Administrative Committee chooses the election method described in (iii) above, then such dividends and any reinvestment thereof shall be fully vested at all times and a Participant or Beneficiary, as applicable, shall be offered an election between (A) the allocation of cash dividends to such Participant's or Beneficiary's Account and distribution to the Participant or Beneficiary of such dividends not later than ninety (90) days after the close of the Plan Year in which the dividends are paid or (B) the allocation of dividends to the Participant's or Beneficiary's Account and reinvestment in Company Stock. A Participant's or Beneficiary's election to receive cash payment of dividends on shares of Company Stock shall be made in the manner and time directed by the Administrative Committee. In the absence of a dividend election made in the manner directed by the Administrative Committee, the Participant or Beneficiary shall be deemed to have elected to have such cash dividends allocated to the Participant's Account and reinvested in Company Stock. A distribution of dividends pursuant to this Section 9.10(b) shall not include any earnings or gains on the dividend amount from the time such dividends are paid to the Plan to the time such dividends are distributed to Participants and Beneficiaries. A distribution of dividends pursuant to this Section 9.10(b) shall be reduced by any investment losses on the dividend amount from the time such dividends are paid to the Plan to the time such dividends are distributed to Participants and Beneficiaries.

ARTICLE X
RIGHTS AND RESTRICTIONS ON COMPANY STOCK

10.1 Right of First Refusal. This section does not apply to the extent that distributions are made solely in the form of cash. In the event that Company Stock is not publicly traded within the meaning of Treas. Reg. 54.4975-7(b)(9) at the time of distribution and in the event a Participant, former Participant, or Beneficiary desires to sell to a third person Company Stock received as a distribution from the Plan, such person must first offer to the Plan, and then to the Company to the extent that the Company is not a bank within the meaning of Code Section 581 at the time of distribution, the right to purchase such Company Stock at a price and on such terms not less favorable to the Participant than the greater of (a) the price established by a bona fide offer or (b) the fair market value of the Company Stock using the value determined as of the concurrent or immediately preceding Valuation Date. The right of the Plan and Company, if applicable, to purchase such stock shall lapse on the 14th day after such written notice is given to the Plan or the Company of the fact that an offer has been received from a third party to purchase the Company Stock and of the price and other terms of such offer.

10.2 Put Requirements. In the event a distribution is made in the form of Company Stock and at the time of such distribution (i) the Company is not a bank as defined in Code Section 581, and (ii) either (a) the Company's Certificate of Incorporation or its Bylaws restrict ownership of substantially all of the Company's Company Stock to its employees and/or trusts described in Code Section 401(a), or (b) the Company is an S Corporation as defined in Code Section 1361(a)(2), the following provisions shall apply:

(a) In the event Company Stock is distributed and is not readily tradable on an established market within the meaning of Treas. Reg. 1.401(a)(35)-1(f)(5) at the time of distribution, the Participant, former Participant, or Beneficiary may have an option (the "Put") to require the Company to purchase all of the shares actually distributed to such individual. The Put may be exercised at any time during the Option Period (as defined in subsection (f) below) by giving the Administrative Committee and the Company written notice of the election to exercise the Put. The Put may be exercised by a former Participant or a Beneficiary only during the Option Period with respect to which the former Participant or Beneficiary receives a distribution of Company Stock.

(b) (i) The price paid for Company Stock sold to the Plan or the Company pursuant to the Put shall be the fair market value of each share multiplied by the number of shares to be sold under the Put, with appropriate adjustments to reflect intervening stock dividends, stock splits, stock redemptions, or similar changes to the number of outstanding shares. The fair market value of a share shall be determined (A) as of the Valuation Date immediately preceding the date the Put is exercised, or (B) in the case of a transaction between the Plan and a Disqualified Person, determined as of the date of the transaction.

(ii) If the distribution of Company Stock to a former Participant or Beneficiary constituted a distribution within one taxable year of the balance of the Participant's Account, the Company reserves the right to establish guidelines to be exercised in a uniform and nondiscriminatory manner, to make payment for the shares subject to the Put on an installment basis in substantially equal annual, quarterly or monthly payments over a period not to exceed five years, such period beginning no later than thirty days after exercise of the Put. The Company shall pay reasonable interest at least annually on the unpaid balance of the price and shall provide to the former Participant or Beneficiary adequate security with respect to the unpaid balance. If the distribution was part of an installment distribution, the Company shall pay the Participant in cash within thirty days after exercise of the Put.

(c) The Put shall not be assignable, except that the Participant's or former Participant's legal representative (in the event of a Participant's incapacity) or, in the event of a Participant's or former Participant's death, the Participant's Beneficiary shall be entitled to exercise the Put during the Option Period for which it is applicable.

(d) The Trustee (on behalf of the Plan) in its discretion, may assume the Company's obligations under this Section at the time a Participant, former Participant, or Beneficiary exercises the Put, with the Company's consent. If the Trustee assumes the Company's obligations, the provisions of this Section that apply to the Company shall also apply to the Trustee.

(e) The Administrative Committee shall notify each Participant, former Participant, and Beneficiary who is eligible to exercise the Put of the fair market value of each share of Company Stock as soon as practicable following its determination. The Administrative Committee shall send all notices required under this Section to the last known address of a Participant, former Participant, or Beneficiary, and it shall be the duty of those persons to inform the Administrative Committee of any changes in address.

(f) For purposes of this Section, the "Option Period" is the period of sixty days following the day on which a Participant, former Participant, or Beneficiary receives a distribution. If such person does not exercise the Put during that sixty-day period, the Option Period shall also be the sixty-day period beginning on the first anniversary of the day on which such person received a distribution. Notwithstanding the preceding sentences, when Company Stock is acquired with the proceeds of an Exempt Loan, the "Option Period" shall be the fifteen (15) month period beginning on the date such Company Stock is distributed to a Participant (or the Participant's Beneficiary). Such 15-month period shall be extended by a period equal to the number of days, if any, during which the Company is precluded from honoring the put option by reason of applicable federal or state law.

10.3 Prohibition on Purchase Arrangements. Except as provided in this Article X, no Company Stock acquired with the proceeds of an Exempt Loan shall be subject to a put, call, or other option, or buy-sell or similar arrangement while held by and when distributed from the Trust, whether or not at the time of distribution the Plan is an employee stock ownership plan.

10.4 Nonterminable Rights. The rights and restrictions of this Article X shall not be terminable.

ARTICLE XI
VOTING AND TENDER OF COMPANY STOCK

11.1 Voting.

(a) All shares of Company Stock held in the Trust shall be voted by the Trustee.

(b) If the Company Stock is not a registration-type class of security within the meaning of Code Section 409(e)(4), each Participant and Beneficiary shall be entitled to direct the Trustee as to the manner in which Company Stock allocated to the Participant's Account is to be voted on any matter that involves the approval or disapproval of any Company merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets, or such similar transaction as may be prescribed in Regulations issued with respect to Code Section 409(e)(3).

(c) If the Company Stock is a registration-type class of security within the meaning of Code Section 409(e)(4), then each Participant and Beneficiary shall be entitled to direct the Trustee as to the manner in which Company Stock allocated to such persons' Accounts is to be voted on any and all matters which may be presented to the shareholders of Company Stock.

(d) With respect to (i) allocated Company Stock as to which no direction is received, (ii) unallocated shares of Company Stock in the Suspense Account and (iii) allocated shares of Company Stock that are not subject to voting right pass through requirement under Code Section 409(e), the Trustee shall vote such shares in the Trustee's discretion. In exercising such discretion, the Trustee shall comply with its fiduciary duties as required by ERISA.

11.2 Tender.

(a) The Trustee shall not sell, alienate, encumber, pledge, transfer or otherwise dispose of any Company Stock; except (i) as specifically provided for in the Plan or a Trust Agreement, or (ii) in the case of a "tender or exchange offer", as set forth in subsection (b) of this Section 11.2.

For purposes of this Article XI, the term "tender or exchange offer" shall mean: (A) any offer for, or request for or invitation for tenders or exchanges of, or offers to purchase or acquire any shares of Company Stock that is directed generally to shareholders of the Company, or (B) any transaction involving Company Stock which may be defined as a "tender offer" under proposed or final rules or regulations promulgated by the Securities and Exchange Commission.

(b) (i) In the event of a tender or exchange offer, each Participant or, if the Participant is not alive, the Participant's Beneficiary, shall have the right to determine confidentially whether to tender or exchange any whole and fractional shares of Company Stock allocated to the Participant's Account and shall be entitled to instruct the Trustee as to the tender of such shares. Upon receipt of such instructions, the Trustee shall act with respect to such Company Stock as instructed. With respect to Company Stock as to which no instruction is received and shares of Company Stock in the Suspense Account, the Trustee shall tender such shares in the Trustee's discretion. In exercising such discretion, the Trustee shall comply with its fiduciary requirements of ERISA.

(ii) All shares of Company Stock held in the Trust and not tendered pursuant to subsection (b)(i) of this Section 11.2, including allocated shares for which no instructions are received, shall continue to be held by the Trustee.

(iii) Any shares of Company Stock not tendered by a Participant or Beneficiary pursuant to subsection (b)(i) of this Section 11.2 shall continue to be held by the Trustee in such Participant's or Beneficiary's Account. The Account of each Participant or Beneficiary tendering shares of Company Stock pursuant to subsection (b)(i) of this Section 11.2 shall be credited with the cash received by the Trustee in exchange for the shares tendered from such Participant's or Beneficiary's Account.

11.3 Fiduciary Responsibilities.

Each Participant shall be a "named fiduciary," within the meaning of ERISA Section 402(a), with respect to the voting and tender of Company Stock pursuant to Sections 11.1 and 11.2 of the Plan.

11.4 Procedures for Voting and Tender.

(a) The Administrative Committee shall establish and maintain procedures by which Participants and Beneficiaries shall be (i) timely notified of their right to direct the voting and tender of Company Stock allocated to their Accounts and the manner in which any such directions are to be conveyed to the Trustee, and (ii) given information relevant to making such decisions. No directions shall be honored by the Trustee unless timely and properly conveyed in accordance with such procedures.

(b) Voting instructions received from Participants and Beneficiaries shall be held in confidence by the Trustee or its delegate for this purpose and shall not be divulged to the Company or to any officer or employee of the Company or to any other person.

ARTICLE XII
ADMINISTRATION

12.1 Fiduciary Responsibilities. A fiduciary shall have only those specific powers, duties, responsibilities and obligations as are specifically given to such person under the Plan or the Trust. The Company shall have sole responsibility to make the contributions provided for under the Plan and, by action of the Board of Directors, to amend or terminate, in whole or in part, the Plan or the Trust. The Board of Directors shall have sole responsibility to appoint and remove members of the Administrative Committee and the Trustees of the Plan. The Administrative Committee shall have sole responsibility for the general administration of this Plan and for the investment policies of the Plan, for the selection of the Plan's investment funds pursuant to the Plan, and for the appointment and removal of any Investment Manager. Subject to the provisions of the Plan and the Trust Agreement, the Trustee shall have sole responsibility for the administration of the Trust and the management of the assets held in the Trust, as set forth in the Plan and the Trust. It is intended that each fiduciary shall be responsible for the proper exercise of such fiduciary's own powers, duties, responsibilities, and obligations and, except as otherwise provided by law, shall not be responsible for any act or failure to act by another fiduciary. A fiduciary may serve in more than one fiduciary capacity with respect to the Plan. A fiduciary of the Plan who is also an Employee shall not be compensated in such individual's capacity as fiduciary.

12.2 The Administrative Committee. Any member of the Administrative Committee may resign with sixty (60) days advance written notice to the Board of Directors. The Administrative Committee shall select a Chairman and a Secretary to keep records or to assist it in the discharge of its responsibilities. The Administrative Committee shall have such duties and powers as are necessary to discharge its responsibilities under the Plan, including, but not limited to, the following:

(a) To require any person to furnish such information as it requests for the purpose of the proper administration of the Plan;

(b) To make and enforce such rules and regulations and prescribe the use of such forms as it deems necessary for the efficient administration of the Plan;

(c) To construe and interpret the Plan, including the right to determine eligibility for participation, eligibility for payment, the amount of benefits payable, the timing of distributions and all other issues arising under the Plan as well as the right to remedy possible ambiguities, inconsistencies or omissions; provided, however, that all such interpretations and decisions shall be applied in a uniform manner to all similarly situated Participants and Beneficiaries;

(d) To employ and rely upon such advisors (including attorneys, independent public accountants, investment advisors and enrolled actuaries) as it deems appropriate or helpful in connection with the operation and administration of the Plan;

(e) To maintain complete records of the administration of the Plan;

(f) To prepare and file with the appropriate governmental agencies such reports as required from time to time with respect to the Plan under ERISA, the Code, or other laws and regulations governing the administration of the Plan;

(g) To furnish or disclose to Participants, Employees who may become Participants, and Beneficiaries information about the Plan and statements of accrued benefits under the Plan, in accordance with ERISA, the Code, or other laws and regulations governing the administration of the Plan;

(h) To delegate to one or more members of the Administrative Committee, or to persons other than Administrative Committee members, any authority, duty or responsibility pertaining to the administration or operation of the Plan; provided, however, that each such delegation shall be made by a written instrument authorized by the Administrative Committee and maintained with the records of the Plan. If any person other than an Employee is so designated, such person must acknowledge, in writing, acceptance of the duties and responsibilities delegated. All such instruments and acknowledgments shall be considered a part of the Plan;

(i) To determine, pursuant to procedures adopted by it, whether a state domestic relations order served upon the Plan is a "qualified domestic relations order" (as defined in Code Section 414(p)); to place in escrow any benefits payable in the period during which the Administrative Committee determines the status of an order; and to take any necessary action to administer distributions under the terms of a "qualified domestic relations order";

(j) To discharge any responsibilities which are allocated to the Administrative Committee elsewhere in this Plan.

All decisions and interpretations of the Administrative Committee shall be binding and shall be entitled to the maximum deference permitted under the law.

12.3 Plan Expenses. All expenses authorized and incurred by the Administrative Committee shall be paid from the assets of the Plan, except to the extent such expenses are paid by the Company.

12.4 Meetings and Voting. The Administrative Committee shall act by a majority vote of its respective members at a meeting or, by written consent of a majority of its members, without a meeting. The Administrative Committee shall hold meetings, as deemed necessary by them, although any member may call a special meeting of the committee by giving reasonable notice to the other members. The Secretary of the Administrative Committee shall have authority to give certified notice in writing of any action taken by the committee.

12.5 Compensation. The members of the Administrative Committee, if Employees, shall serve without compensation.

12.6 Claims Procedures.

(a) Any Participant or Beneficiary ("Claimant") may file a written claim for a benefit under the Plan with the Administrative Committee or with a person named by the Administrative Committee to receive such claims;

(b) In the event of a denial or limitation of any benefit or payment due or requested by any Claimant, such Claimant shall be given a written notification containing specific reasons for the denial or limitation of the benefit. The written notification shall contain specific reference to the pertinent Plan provisions on which the denial or limitation is based. In addition, it shall contain a description of any additional material or information necessary for the Claimant to perfect a claim and an explanation of why such material or information is necessary. Further, the notification shall provide appropriate information as to the steps to be taken if the Claimant wishes to submit such claim for review. This written notification shall be given to a Claimant within ninety days after receipt of the claim by the Administrative Committee (or its delegatee to receive such claims), unless special circumstances require an extension of time for processing the claim. If such an extension of time is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the ninety-day period and such notice shall indicate the special circumstances which make the postponement appropriate;

(c) In the event of a denial or limitation of benefits, the Claimant or the Claimant's duly authorized representative shall be permitted to review pertinent documents and to submit issues and comments in writing to the Administrative Committee. In addition, the Claimant or the Claimant's duly authorized representative may make a written request for a full and fair review of the claim and its denial by the Administrative Committee; provided, however, that such written request must be received by the Administrative Committee (or its delegatee to receive such requests) within sixty days after receipt by the Claimant of written notification of the denial or limitation. The sixty-day requirement may be waived by the Administrative Committee in appropriate cases; and

(d) (i) A decision shall be rendered by the Administrative Committee within sixty days after the receipt of the request for review; provided, however, that where special circumstances require an extension of time for processing the decision, it may be postponed, on written notice to the Claimant (prior to the expiration of the initial sixty-day period) for an additional sixty days, but in no event shall the decision be rendered more than one hundred and twenty days after the receipt of such request for review.

(ii) Notwithstanding subsection (d)(i) of this Section 12.6, if the Administrative Committee holds regularly scheduled meetings at least quarterly to review such appeals, a Claimant's request for review shall be acted upon at the meeting immediately following the receipt of the Claimant's request unless such request is filed within thirty days preceding such meeting. In such instance, the decision shall be made no later than the date of the second meeting following the receipt of such request by the Administrative Committee (or its delegatee to receive such requests). If special circumstances require a further extension of time for processing a request, a decision shall be rendered not later than the third meeting of the Administrative Committee following the receipt of such request for review, and written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension.

(iii) Any decision by the Administrative Committee shall be furnished to the Claimant in writing and in a manner calculated to be understood by the Claimant and shall set forth the specific reason(s) for the decision and the specific Plan provision(s) on which the decision is based.

12.7 Liabilities. The Administrative Committee, each member or former member of such Committee, and each person to whom duties and responsibilities have been delegated under the Plan shall be indemnified and held harmless by the Company, to the fullest extent permitted by ERISA, other applicable laws, and the charter and By-laws of the Company.

ARTICLE XIII
AMENDMENTS

13.1 Right to Amend. Except as otherwise set forth in this Article XIII, Section 6.3, or as may be required by law, the Board of Directors reserves the right to amend the Plan at any time and in any manner, without prior notification, consultation, or bargaining with any Employee or representative of Employees by written resolution of the Board of Directors adopted at a duly convened meeting of the Board of Directors in accordance with the By-Laws of the Company and the laws of the Commonwealth of Pennsylvania. To the extent required by the Code or ERISA, no amendment to the Plan shall decrease a Participant's benefit or eliminate an optional form of distribution. No amendment shall make it possible for any assets of the Plan to be used for or diverted to any purposes other than for the exclusive benefit of Participants and Beneficiaries.

13.2 Amendment by Administrative Committee. The Administrative Committee may adopt any ministerial and nonsubstantive amendment it deems necessary or appropriate to (a) facilitate the administration, management and interpretation of the Plan, (b) conform the Plan to current practice, or (c) cause the Plan and its related Trust to qualify under Code Sections 401(a)(1), 501(a) and 4975(e)(7) or to comply with ERISA or any other applicable laws; provided that such amendment does not have any material effect on the estimated cost to the Company of maintaining the Plan.

13.3 Plan Merger and Asset Transfers. No assets of the Trust shall be merged or consolidated with, nor shall any assets or liabilities be transferred to any other plan, unless the benefits payable to each Participant or Beneficiary, if this Plan were terminated immediately after such action, would be equal to or greater than the benefits such individuals would have been entitled to receive if this Plan had been terminated immediately before such action.

13.4 Amendment of Vesting Schedule. Notwithstanding anything to the contrary, no amendment to the Plan shall have the effect of decreasing a Participant's nonforfeitable percentage determined without regard to such amendment as of the later of the date such amendment is adopted or the date it becomes effective. If the Plan's vesting schedule is amended, or the Plan is amended in any way that directly or indirectly affects the computation of a Participant's nonforfeitable percentage, each Participant with at least 3 Years of Service may elect, within a reasonable period after the adoption of the amendment, to have the nonforfeitable percentage computed under the Plan without regard to such amendment. The Participant's election may be made at any time during the period ending on the latest of:

(a) 60 days after the amendment is adopted;

(b) 60 days after the amendment becomes effective; or

(c) 60 days after the Participant is issued written notice of the amendment by the Company or the Administrative Committee.

ARTICLE XIV
TERMINATION

14.1 Right to Terminate. While the Company intends the Plan to be permanent, the Board of Directors reserves the right to terminate the Plan at any time, without prior notification, consultation, or bargaining with any Employee or representative of Employees by written resolution of the Board of Directors adopted at a duly convened meeting of the Board of Directors in accordance with the By-laws of the Company and the laws of the Commonwealth of Pennsylvania.

14.2 Effect of Termination. If the Plan is terminated, contributions shall cease, and the assets remaining in the Trust, after payment of any expenses, including expenses of administration or liquidation, shall be retained in the Trust for distribution in accordance with the terms of the Plan. Upon termination (including a partial termination), or upon the complete discontinuance of contributions by the Company, all Participants shall be 100 percent vested in their Accounts. Subject to the minimum distribution requirements of Section 9.9, distributions shall not be made from the Plan upon its termination until such time as the Plan has received a determination from the Internal Revenue Service that the Plan is qualified upon termination.

14.3 Change in Control. Notwithstanding the provisions of this Article XIV or any other provisions of the Plan to the contrary, the Plan will terminate upon a Change in Control. Such termination shall be effective as of the date of an occurrence of Change in Control.

ARTICLE XV
MISCELLANEOUS

15.1 Non-alienation of Benefits. Except as provided in Code Section 401(a)(13) (relating to qualified domestic relations orders), Code Section 401(a)(13)(C) and (D) (relating to offsets ordered or required under a criminal conviction involving the Plan, a civil judgment in connection with a violation or alleged violation of fiduciary responsibilities under ERISA, or a settlement agreement between the Participant and the Department of Labor in connection with a violation or alleged violation of fiduciary responsibilities under ERISA), Section 1.401(a)-13(b)(2) of Treasury regulations (relating to Federal tax levies and judgments), or as otherwise required by law, no benefit under the Plan at any time shall be subject in any manner to anticipation, alienation, assignment (either at law or in equity), encumbrance, garnishment, levy, execution, or other legal or equitable process; and no person shall have power in any manner to anticipate, transfer, assign (either at law or in equity), alienate or subject to attachment, garnishment, levy, execution, or other legal or equitable process, or in any way encumber the Participant's benefits under the Plan, or any part thereof, and any attempt to do so shall be void.

15.2 Appointment of Guardian. Where it is established to the satisfaction of the Administrative Committee that a guardian has been duly appointed on behalf of a person entitled to a distribution under the Plan, the Administrative Committee may cause payment to be made to the guardian for the benefit of the entitled person. The Administrative Committee shall have no responsibility with respect to the application of amounts so paid.

15.3 Satisfaction of Benefit Claims. The assets of the Trust shall be the sole source of benefits under this Plan, and each Participant or any other person who shall claim the right to any payment or benefit under this Plan shall be entitled to look only to the Trust for such payment or benefit, and shall not have any right, claim or demand against the Company or any officer or director of the Company. Such Participant or person shall not have a right to or interest in any assets of the Trust, except as provided from time to time under this Plan.

15.4 Controlling Law. The provisions of the Plan shall be construed, administered and enforced under the laws of the United States and the Commonwealth of Pennsylvania.

15.5 Non-guarantee of Employment. Nothing contained in this Plan shall be construed as a contract of employment between the Company and any Employee, or as a right of any Employee to be continued in the employment of the Company or as a limitation of the right of the Company to discharge any of its Employees, with or without cause.

15.6 Severability and Construction of the Plan.

(a) If any provision of the Plan or the application of it to any circumstance(s) or person(s) is invalid, the remainder of the Plan and the application of such provision to other circumstances or persons shall not be affected thereby.

(b) Unless the context otherwise indicates, the masculine wherever used shall include the feminine and neuter; the singular shall include the plural; and words such as "herein", "hereof," "hereby," "hereunder" and words of similar import shall refer to the Plan as a whole and not any particular part of it.

15.7 No Requirement of Profits. Contributions may be made to the Plan without regard to current or accumulated profits of the Company.

15.8 Recoupment of Overpayments. The Plan shall be entitled to recoup overpaid or erroneously paid benefits from the Plan, in any reasonable manner, including, but not limited to, (i) repayment by a Participant or Beneficiary, in a lump sum, installments, or other method approved by the Administrative Committee, or (ii) reduction of future benefit payments until all overpaid or erroneously paid amounts are fully recovered. The Plan may impose interest on previously overpaid or erroneously paid amount in determining the amount to be repaid or the amount by which future benefit payments are to be reduced. The provisions of this Section 15.8 shall be applied in a nondiscriminatory and consistent manner without regard to a Participant's employment status with the Company.

15.9 Military Service. Notwithstanding any other provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with Code Sections 414(u) and 401(a)(37), including, but not limited to, the following:

(a) If a Participant dies while performing qualified military service, his Beneficiary shall be entitled to additional benefits (other than contributions relating to the period of qualified military service), if any, that would be provided under the Plan had the Participant resumed employment with the Company the day before death and then terminated such employment on account of death.

(b) Differential wage payments, as defined in Code Section 414(u)(12), if any, shall be included in a Participant's Compensation.

ARTICLE XVI
TOP-HEAVY PROVISIONS

16.1 Determination of Top-Heavy Status.

(a) Any provision of this Plan to the contrary notwithstanding, for any Plan Year in which the Plan is a Top-Heavy Plan, the provisions of this Article XVI shall apply. The provisions of this Article shall have effect only to the extent required under Code Section 416. This Plan shall be deemed a Top-Heavy Plan only with respect to any Plan Year in which, as of the Determination Date, the Top-Heavy Ratio exceeds 60 percent.

(b) If the Plan is not included in a Required Aggregation Group with other plans, then it shall be Top-Heavy only if (i) when considered by itself it is a Top-Heavy Plan and (ii) it is not included in a Permissive Aggregation Group that is not a Top-Heavy Group.

(c) If the Plan is included in a Required Aggregation Group with other plans, it shall be Top-Heavy only if the Required Aggregation Group, including any permissively aggregated plans, is Top-Heavy.

16.2 Top-Heavy Definitions. Solely for purposes of this Article, the following words and phrases shall have the following meaning;

(a) "Aggregation Group or Top Heavy Group" means either a Required Aggregation Group or a Permissive Aggregation Group.

(b) "Determination Date" means, with respect to any Plan Year, the last day of the preceding Plan Year or in the case of the first Plan Year of any plan, the last day of such Plan Year or such other date as permitted under rules issued by the U.S. Department of the Treasury.

(c) "The Company" means the Company and all members of a controlled group of corporations (as defined in Code Section 414(b) as modified by Code Section 415(h)), all commonly controlled trades or businesses (as defined in Code Section 414(c) as modified by Code Section 415(h)), or affiliated service groups (as defined in Code Section 414(m)) of which the Company is a part.

(d) "Key Employee" means any employee or former employee (including any deceased employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Company having annual compensation greater than $130,000 (as adjusted under Code Section 416(i)(1)), a five percent owner of the Company, or a one percent owner of the Company having annual compensation of more than $165,000. For this purpose, annual compensation means compensation within the meaning of Code Section 415(c)(3). The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

(e) "Non-Key Employee" means any Employee who is not a Key Employee.

(f) "Permissive Aggregation Group" means a Required Aggregation Group plus any other plans maintained and selected by the Company; provided that all such plans when considered together satisfy the requirements of Code Sections 401(a)(4) and 410.

(g) "Required Aggregation Group" means each qualified plan of the Company in which at least one Key Employee participates or which enables any plan in which a Key Employee participates to meet the requirements of Code Sections 401(a)(4) or 410.

(h) "Top-Heavy Ratio" means:

(i) If the Company maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Company has not maintained any defined benefit plan which during the 5-year period ending on the Determination Date(s) has or has had accrued benefits, the Top-Heavy Ratio is a fraction, the numerator of which is the sum of the Account balances of all Key Employees as of the Determination Date(s) (including any part of any Account balance distributed in the 1-year period (5-year period in the case of a distribution made for a reason other than severance from employment, death or Disability) ending on the Determination Date(s)), and the denominator of which is the sum of all Account balances (including any part of any Account balance distributed in the 1-year period (5-year period in the case of a distribution made for a reason other than severance from employment, death or Disability) ending on the Determination Date(s)), both computed in accordance with Code Section 416 and the regulations thereunder. Both the numerator and denominator of the Top-Heavy Ratio are increased to reflect any contribution not actually made as of the Determination Date, but which is required to be taken into account on that date under Code Section 416 and the regulations thereunder.

(ii) If the Company maintains or has maintained one or more defined benefit plans which during the 5-year period ending on the Determination Date(s) has or has had any accrued benefits, the Top-Heavy Ratio for any required or permissive aggregation group as appropriate is a fraction, the numerator of which is the sum of Account Balances under the aggregated defined contribution plan or plans for all Key Employees, determined in accordance with (i) above, and the present value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the Determination Date(s), and the denominator of which is the sum of the Account balances under the aggregated defined contribution plan or plans for all Participants, determined in accordance with (i) above, and the present value of accrued benefits under the defined benefit plan or plans for all Participants as of the Determination Date(s), all determined in accordance with Code Section 416 and the regulations thereunder. The accrued benefits under a defined benefit plan in both the numerator and denominator of the Top-Heavy Ratio are increased for any distribution of an accrued benefit made in the 1-year period (5-year period in the case of a distribution made for a reason other than severance from employment, death or disability) ending on the Determination Date.

(iii) For purposes of (i) and (ii) above the value of Account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Code Section 416 and the regulations thereunder for the first and second plan years of a defined benefit plan. The Account balances and accrued benefits of a Participant (1) who is not a Key Employee but who was a Key Employee in a prior year, or (2) who has not been credited with at least one hour of service with any Employer maintaining the plan at any time during the 1-year period ending on the Determination Date will be disregarded. The calculation of the Top-Heavy Ratio, and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Code Section 416 and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the Top-Heavy Ratio. When aggregating plans the value of Account balances and accrued benefits will be calculated with reference to the Determination Dates that fall within the same calendar year.

The accrued benefit of a Participant other than a Key Employee shall be determined under (1) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Company, or (2) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Code Section 411(b)(1)(C).

(i) "Valuation Date" means, for purposes of determining if the Plan is Top-Heavy, the most recent Valuation Date in the period of twelve months ending on the Determination Date.

16.3 Top-Heavy Rules. For any year in which a Plan is determined to be a Top-Heavy Plan the following rules shall apply:

(a) For each Plan Year in which the Plan is Top-Heavy, minimum contributions for a Participant who is a Non-Key Employee shall be required to be made on behalf of each Participant who is employed by the Company on the last day of the Plan Year. The amount of the minimum contribution shall be the lesser of the following percentage of compensation:

(i) 3 percent, or

(ii) the highest percentage at which Contributions are made under the Plan for the Plan Year on behalf of any Key Employee.

(A) For purposes of this paragraph (ii), all defined contribution plans included in a Required Aggregation Group shall be treated as one plan.

(B) This paragraph (ii) shall not apply if the Plan is included in a Required Aggregation Group and the Plan enables a defined benefit plan included in the Required Aggregation Group to meet the requirements of Code Sections 401(a)(4) or 410.

(C) If the highest percentage at which Contributions are made under the Plan for a top-heavy Plan Year on behalf of Key Employees is less than 3%, the amounts contributed as a result of a salary reduction agreement must be included in determining Contributions made on behalf of Key Employees.

Any contributions that must be made under this subsection (a) shall be made under the Company's applicable 401(k) plan.

(b) The vesting schedule when the Plan is Top-Heavy is as follows:

Years of Service	Vested Percentage
0-2 Years of Service	0%
3 or more Years of Service	100%

ARTICLE XVII
EXEMPT LOANS

17.1 General. The Trustee shall have the authority and discretion to borrow money from a Disqualified Person, or another source which is guaranteed by a Disqualified Person for the purpose of (a) purchasing Company Stock, or (b) repaying a prior Exempt Loan. Any Exempt Loan shall satisfy all of the requirements of this Article XVII.

17.2 Terms of Exempt Loan Agreements. All Exempt Loans shall satisfy the following requirements:

(a) The loan shall be primarily for the benefit of Participants and their Beneficiaries;

(b) The loan shall be for a specified term and shall bear no more than a reasonable rate of interest.

(c) The collateral pledged by the Trustee shall consist only of the Company Stock purchased with the borrowed funds, or Company Stock that was pledged as collateral in connection with a prior Exempt Loan that was repaid with the proceeds of the current Exempt Loan.

(d) Under the terms of the agreement, the lender shall have no recourse against the Trust, or any of its assets, except with respect to the collateral and contributions (other than contributions of Company Stock) by the Company that are made to satisfy its obligations under the loan agreement and earnings attributable to such collateral and such contributions.

(e) The payments made on the loan during a Plan Year shall not exceed an amount equal to the sum of such contributions and the earnings received during or prior to the year less such payments on the exempt loan in prior years.

(f) In the event of default, the value of the assets transferred in satisfaction of the loan shall not exceed the amount of default; moreover, if the lender is a Disqualified Person, the loan agreement shall provide for a transfer of assets upon default only upon and to the extent of the failure of the Plan to meet the payment schedule of the loan.

17.3 Suspense Account.

(a) Company contributions made to the Trust in the form of Company Stock purchased with the proceeds of an Exempt Loan shall be held in the Suspense Account as the collateral for that Exempt Loan. Such stock shall be released from the Suspense Account on a pro-rata basis according to the amount of the payment on the Exempt Loan for the Plan Year, determined under one of the following two alternative formulas in the discretion of the Administrative Committee:

(i) for each Plan Year during the duration of the Exempt Loan, the number of shares of Company Stock released shall equal the number of such shares held in the

Suspense Account immediately before release for the current Plan Year multiplied by a fraction, the numerator of which is the amount of principal and interest paid for the year and the denominator of which is the sum of the numerator plus the remaining principal and interest to be paid for all future years. The number of future years under the Exempt Loan must be definitely ascertainable and must be determined without taking into account any possible extensions or renewal periods. If the interest rate under the loan is variable, the interest to be paid in future years must be computed by using the interest rate applicable as of the end of the Plan Year. If the collateral includes more than one class of Company Stock, the number of shares of each class to be released for a Plan Year must be determined by applying the same fraction to each class; or

(ii) for each Plan Year during the duration of the Exempt Loan, the number of shares of Company Stock released is determined solely with reference to the principal payment of the Exempt Loan. If Company Stock in the Suspense Account is released in accordance with this subsection (ii), (A) the Exempt Loan must provide for annual payments of principal and interest at a cumulative rate that is not less rapid at any time than level annual payments of such amounts for 10 years; and (B) interest included in any payment is disregarded only to the extent that it would be determined to be interest under standard loan amortization tables.

This subsection (ii) will not be applicable if by reason of a renewal, extension, or refinancing, the sum of the expired duration of the Exempt Loan, the renewal period, the extension period, and the duration of a new Exempt Loan exceeds 10 years.

(b) Shares of Company Stock released in accordance with Section 17.3(a) of the Plan shall then be allocated to the Accounts of Participants as follows: (i) first, in an amount equal in value to any dividends paid on shares previously allocated to Participants' Accounts that are used to repay the Exempt Loan, (ii) second, in an amount equal in value to the amount of matching contributions made pursuant to Section 5.1(a) on behalf of Participants for the Plan Year, and (iii) third, the remaining shares of such stock, if any, shall be allocated to Participants' Accounts in the same manner as described in Section 5.5(b).

Notwithstanding the foregoing, if the amount of matching contributions used to repay the principal and interest due on the Exempt Loan for a Plan Year exceeds the value of all released shares of Company Stock that remain following the allocation of shares pursuant to Section 17.3(b)(i), then all such remaining shares of Company Stock shall be allocated to Participants' Matching Contribution Accounts in the ratio that the amount of each Participant's matching contributions that were used to repay the Exempt Loan for the Plan Year bears to the total amount of matching contributions for all Participants that were used to repay the Exempt Loan for the Plan Year.

IN WITNESS WHEREOF, Meridian Bank has caused this Plan to be duly executed this _______ day of December, 2013.

MERIDIAN BANK

By ______________________________

Name: Jina Kim

Title: SVP, Human Resources

EXHIBIT 21.1

List of Subsidiaries of Meridian Bank

The following is a list of subsidiaries of Meridian Bank, the names under which such subsidiaries do business, and the state or country in which each was organized:

Name	Jurisdiction of Organization
Meridian Land Settlement Services, LLC	Pennsylvania
Apex Realty, LLC	Pennsylvania
Meridian Wealth Partners, LLC	Pennsylvania

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Meridian Bank:

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the offering circular.

KPMG LLP

Philadelphia, Pennsylvania,
September 25, 2017

SUBJECT TO COMPLETION, DATED SEPTEMBER [●], 2017

OFFERING CIRCULAR

[●] Shares

MeridianBank.

Common Stock

This is Meridian Bank's initial public offering. We are offering [●] shares of our common stock.

We anticipate that the initial public offering price per share of our common stock will be between $[●] and $[●]. Prior to this offering there has been no public market for our common stock. We have applied for listing our common stock on the NASDAQ [Global Select] Market under the symbol ''[●]''. If we do not obtain approval to list on the NASDAQ [Global Select] Market, we may fail to complete our offering, and the price and liquidity of our stock may be adversely affected. Following completion of the offering, **we will be an "emerging growth company" under the federal securities laws and will be subject to reduced public company reporting requirements.**

Investing in the common stock involves risks that are described in the "Risk Factors" section beginning on page [●] of this offering circular.

	Per Share	Total
Public offering price	$ [____]	$ [____]
Underwriting discounts and commissions(1)	$ [____]	$ [____]
Proceeds, before expenses, to us	$ [____]	$ [____]

(1) Assumes no exercise of the underwriters' purchase option described below. See "Underwriting" in this offering circular for disclosure regarding underwriting discounts, expenses payable to the underwriters and proceeds to us, before expenses.

The underwriters may also exercise their option to purchase up to an additional [●] shares from us at the public offering price, less the underwriting discounts and commissions, for 30 days after the date of this offering circular.

Neither the Federal Deposit Insurance Corporation nor any other bank regulatory agency, nor any state securities commission has approved or disapproved of these securities or determined if this offering circular is truthful or complete. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or other obligations of a bank or depository institution. These securities are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency and are subject to investment risk, including possible loss of principal.

The shares of our common stock will be ready for delivery on our about [●], 2017.

Book-Running Manager

SANDLER O'NEILL + PARTNERS, L.P.

The date of this offering circular is , 2017.

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Certain Defined Terms

Unless we state otherwise or the context otherwise requires, references in this offering circular to:

- "we", "our", "us", "ourselves", "Meridian", "the company" and "the Company" refer to Meridian Bank, a Pennsylvania banking institution, and its consolidated subsidiaries. For all periods after the completion of the expected holding company formation transactions described in the section entitled "Holding Company Formation," these terms refer to Meridian Corporation, a newly formed Pennsylvania corporation, and its consolidated subsidiaries, including Meridian Bank;

- our "bank" and "Meridian Bank" refer to Meridian Bank, a Pennsylvania banking institution, and, after completion of the holding company formation transactions described above, a direct, wholly-owned subsidiary of Meridian Corporation;

- our "holding company" refers to Meridian Corporation, which is currently a direct wholly-owned subsidiary of Meridian Bank, and, after giving effect to the holding company formation transactions, will become the bank holding company for Meridian Bank pursuant to the BHC Act;

- "BHC Act" refers to the U.S. Bank Holding Company Act of 1956, as amended;

- "Federal Reserve" refers to the Board of Governors of the Federal Reserve System;

- "FDIC" refers to the Federal Deposit Insurance Corporation;

- "PDBS" refers to the Pennsylvania Department of Banking and Securities;

- "fiscal year" refers to our fiscal year, which is based on a twelve-month period ending December 31 of each year (e.g., fiscal year 2016 refers to the twelve-month period ending December 31, 2016); and

- our "stock" refers to our common stock unless otherwise specified.

About This Offering Circular

We and the underwriters have not authorized anyone to provide any information other than that contained in this offering circular or in any other offering document prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering circular is accurate as of any date other than the date on the front cover of this offering circular. This offering circular includes references to information contained on, or that can be accessed through, our website. Information contained on, or that can be accessed through, our website is not part of, and is not incorporated into, this offering circular.

We have proprietary rights to trademarks and other intellectual property appearing in this offering circular that are important to our business. Solely for convenience, the trademarks appearing in this offering circular are without the® symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks and other intellectual property. All trademarks appearing in this offering circular are the property of their respective owners.

Any discrepancies included in this offering circular between totals and the sums of the percentages and dollar amounts presented are due to rounding.

Industry and Market Data

Within this offering circular, we reference certain industry and sector information and statistics. We have obtained this information and statistics from various independent, third party sources. Nothing in the data used or derived from third party sources should be construed as advice. Some data and other information are also based on our good faith estimates, which are derived from our review of internal surveys and independent sources. We believe that these external sources and estimates are reliable, but have not independently verified them. Statements as to our market position are based on market data currently available to us. Although we are not aware of any misstatements regarding the demographic, economic, employment, industry and trade association data presented herein, these estimates involve inherent risks and uncertainties and are based on assumptions that are subject to change.

Implications of Being an Emerging Growth Company

We qualify as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company:

- we may present only two years of audited financial statements and only two years of related management discussion and analysis of financial condition and results of operations;
- we are exempt from the requirement to obtain an audit of our internal control over financial reporting under the Sarbanes-Oxley Act of 2002;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements; and
- we are not required to give our shareholders non-binding advisory votes on executive compensation or golden parachute arrangements.

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

In addition to scaled disclosure and the other relief described above, the JOBS Act permits us an extended transition period for complying with new or revised accounting standards affecting public companies. We have elected to take advantage of this extended transition period, which means that the financial statements included in this offering circular, 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.

Holding Company Formation

In May 2017, shareholders of Meridian Bank approved and adopted the Plan of Merger and Reorganization among Meridian Bank, Meridian Interim Bank and Meridian Corporation, whereby, among other things, Meridian Bank will merge with and into Meridian Interim Bank and become a wholly owned subsidiary of Meridian Corporation, with shareholders of Meridian Bank receiving one share of Meridian Corporation common stock, par value $1.00 per share in exchange for each share of common stock of Meridian Bank presently owned. We have submitted an application to each of the Federal Reserve and the PDBS for approval of this holding company formation transaction, but, as of the date hereof, our applications have not yet been approved. We anticipate completing this transaction after completion of this offering. For further information, see "Holding Company Formation." No assurance can be given that the Federal Reserve and the PDBS will approve the holding company formation and transaction, do so in a timely manner or will not impose conditions on such transaction that would have an adverse effect on us or the benefits to us contemplated by such transaction.

OFFERING CIRCULAR SUMMARY

This summary provides a brief overview of important information regarding key aspects of the offering contained elsewhere in this offering circular. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire offering circular carefully, including the more detailed information regarding the risks of purchasing our common stock in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes thereto, before making an investment decision.

Our Company

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

Led by our Chairman and CEO Christopher J. Annas, the bank was formed in 2004. At the heart of our formation was a belief that, due to a considerable level of bank consolidations, the banking needs of middle market businesses in our primary market was not adequately served. Our principle investors believed that a sales oriented, scalable *de novo* bank, with experienced bankers and a more cost-efficient structure than a traditional branch network, could grow and generate attractive returns for shareholders.

As of June 30, 2017, we had total assets of $780.7 million, total loans of $656.3 million, total deposits of $559.6 million and total stockholders' equity of $71.1 million.

As a full-service community bank, Meridian offers products to meet our retail and commercial customer's needs through three principal business line unit distribution channels. Our primary focus is to serve small and middle-market businesses and their executives, entrepreneurs, real estate investors, professionals and high net worth individuals with a variety of financial services and solutions, while maintaining a disciplined approach to risk management. We have invested heavily in commercial lenders and operations personnel to take advantage of what we believe would be significant account turnover among banks due to local merger activity. This bore fruit as we grew our commercial / industrial lending and commercial real estate portfolios over 25% during 2016. Many of these businesses and individuals came to Meridian seeking a more stable banking environment as their existing institutions underwent consolidation. In addition to loan volume, we generated significant new deposit account activity among our customers.

Corporate Structure and Business Line Units

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

<u>Commercial Banking</u>

Our traditional banking operations serving both commercial and consumer customers via deposits and cash management, commercial and industrial lending, commercial real estate lending, shared national credit participations, consumer and home equity lending, merchant services, and title and land settlement services.

Typical borrowers include:

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

Mortgage Banking

A division of the bank, where our mortgage consultants guide our clients through the complex process of obtaining a loan to meet individual specific needs. Originations consist of consumer for-sale mortgage lending, loans to be held within our portfolio, and wholesale mortgage lending services. Clients include homeowners and smaller scale investors. Meridian Bank was named a Top 10 Lender (#6) by the Pennsylvania Housing Finance Agency in 2016. The mortgage division originations for the purchase of homes was 84% of its loan originations for the six months ended June 2017 and 16% was from refinance activity. The average loan size was $199 thousand for the six months ended June 30, 2017.

The bank's mortgage division operates and originates approximately 90% of its mortgage loans in the Pennsylvania, New Jersey and Delaware markets, most typically for 1-4 family dwellings, with the intention of the bank to principally sell substantially all of these loans in the secondary market to qualified investors. Mortgages are originated through sales and marketing initiatives, as well as realtor, builder, bank, advertising and customer referral resources. The bank utilizes a web-based loan origination system for origination, secondary pricing/lock-in, processing, closing, post-closing and government reporting. The division's main origination, processing, underwriting, closing and post-closing functions are performed at the Plymouth Meeting mortgage headquarters with 14 other production/processing offices. In 2016, Meridian Bank generated $892 million in loan originations, comprised of 4,358 individual mortgage loans, of which 98% was sold to investors. The chart below shows mortgage loan originations since 2013.

Mortgage Loan Origination (000s)

	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2016	Six months ended June 30, 2017
Amount	$ 622,971	$ 592,183	$ 836,955	$ 892,179	$ 326,392
Number	2,919	2,990	4,148	4,358	1,648

The division plans on a steady, managed growth policy of deliberate production locations and personnel hiring. From time to time opportunities exist that we may take advantage of by establishing new production offices that we would not normally consider because of their location outside our primary market, but because of the quality of individuals involved, we would consider opening a mortgage loan production office for them or assuming these personnel into our current network.

Currently, many opportunities exist in the mortgage lending market for a well-capitalized community bank such as Meridian. Many larger banks have exited the market or substantially cut back on new originations in part due to legacy losses arising from the lending frenzy of the mid 2000's. The large players that remain are not, in our opinion able to offer the same level of customer satisfaction or loan officer support that Meridian Bank can offer. Given our reputation, we have been able to recruit purchase oriented mortgage loan officers. Many of our new loan officers are associated with realtor offices throughout the region via exclusive marketing agreements with those offices. Thus, our production is predominately purchase oriented, rather than refinancing.

Wealth Management and Advisory Services

Meridian Wealth, a registered investment advisor and wholly-owned subsidiary of the bank, provides a comprehensive array of wealth management services and products and the trusted guidance to help its clients and our banking customers prepare for the future. Such clients include professionals, higher net worth individuals, companies seeking to provide benefits plans for their employees, and more. Acquiring and sustaining wealth is a gradual progression, one that requires a considerable amount of thought and planning. Our process takes a comprehensive approach to financial planning and encompasses all aspects of retirement, with an emphasis on sustainability. As of June 30, 2017, we have $659 million in assets under management.

Meridian Wealth acquired HJ Wealth Management, LLC ("HJ Wealth") in April 2017. This newly combined group brings together the experience of Meridian's own advisors, with their direct access to banking products and services and the breadth and long experience of HJ Wealth's management and staff.

Founded in 2000 by certified public accountants, HJ Wealth's proprietary analytical system, the Progression of Wealth®, is a discipline that connects the management of wealth to meaningful personal goals. HJ Wealth's client-first perspective made them a perfect match for Meridian's own business philosophy.

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

Our History and Growth

Meridian was founded in 2004. Historically, the bank focused on commercial lending, but maintained an opportunistic approach to lines of businesses that are synergistic. In 2005, the bank began to offer title insurance services through Meridian Land Settlement Service and also began to develop its wealth advisory business. Both began as an accommodation to our customers but now have become mainstay services for which we plan considerable growth. In 2010, we had the opportunity to hire a group of seasoned mortgage lenders, who had been with another regional bank prior to its sale to a large out of state financial institution. We hired 10 mortgage originators in the first year and have now grown that division to over 100 loan originators. In 2015 through mid-2016 we hired 12 commercial loan officers from various local institutions who were also disenchanted with the effects of their bank's merger/consolidation. The expansion of the commercial lending group, along with the expansion of the mortgage division, has allowed Meridian to expand into new markets, such as Media, Doylestown and Blue Bell.

Throughout the years of expansion, Meridian has been able to grow successfully with the help of two prior capital raises, and through the issuance of preferred stock in 2009 pursuant to the U.S. Treasury's Troubled Asset Relief Program (TARP program). In addition, the bank has historically been a strong earner, becoming profitable as a de novo in its 5th quarter of operation. We believe our approach to growth and our ability to be nimble and opportunistic, along with a strong and early focus on profitability, have enabled us to out-perform de novo peers that operated in our market, many of which no longer exist.

Our Strategic Plan

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

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

Focus on organic growth. We intend to continue to grow our business organically in a focused and strategic manner. In late 2015 and throughout 2016 we added staff and upgraded systems to create a structure to support a larger organization. Over the past two years, we have hired new lending and credit administration teams as well as IT and compliance personnel. We believe that our overall capabilities, culture and opportunities for career growth will allow us to continue to attract talented new commercial and retail bankers to our business and enable our existing banking teams to drive loan growth. We also believe our lenders have further capacity to penetrate the markets and communities they serve as the brand awareness of Meridian Bank continues to grow.

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

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

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

These values are consistent with our belief that it is important to invest in our people, our customers and our communities. We believe these investments will enable us to attract and retain talent that fits our team concept and culture. We believe that our culture and the quality of our people have been catalysts of our success and will continue to propel our future success. Management has also set four strategic objectives designed to help us achieve maximum shareholder value, grow our Meridian brand and manage risk.

<u>Strategic Objectives</u>.

Meet the needs of our clients. To meet the needs of our business and individual customers we prefer to provide choices to reach the best solution. As an early adopter of check scanning technology, we aim to provide advanced electronic alternatives as well as in-person choices to our clients. Our one branch per county plan is well underway, with the recent opening of the Blue Bell office and the expected opening of the Philadelphia office in November 2017, which will give us six total banking offices in the Delaware Valley. These branches also serve as important points for the community support that is such a critical part of our corporate philosophy. We will opportunistically consider and add branches, but only when viewed as wisely supporting growth demands.

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

- increase our market penetration by adding new business development officers;
- offer online account opening with best in class customer experience;
- cross-selling products to customers;

- optimize funding strategies given the interest rate environment; and

- access new markets

Grow the Meridian brand. As we have grown, Meridian has worked to strengthen its brand in our market area. Through consistent advertising, branch and office expansion, business development activities and community involvement, the bank has shared the Meridian story and elevated its brand awareness. Brand, product and location-oriented campaigns have run on local television, radio and digital media. The bank's social media following has grown and will be further supported by a website redesign slated to roll out at the end of the third quarter of 2017. We intend to continue to:

- attract top talent and promote lender friendly bank;

- identify markets / locations for growth;

- take advantage of Big Data;

- increase market presence through various non-branch channels; and

- enhance and upgrade our already well-integrated technology.

Maintain strong community support. A local bank needs to be directly connected to the communities it serves. With this in mind, we whole-heartedly believe in a "Meridian everywhere" approach. Our employees serve on boards, volunteer their time, and help raise funds for local non-profits. Our Spirit Committee works with community organizations to identify volunteer opportunities and gives employees a volunteer day each year. The bank has a presence at more than one hundred community events annually and has donated more than $2.8 million since inception to charities and nonprofits in the communities we serve.

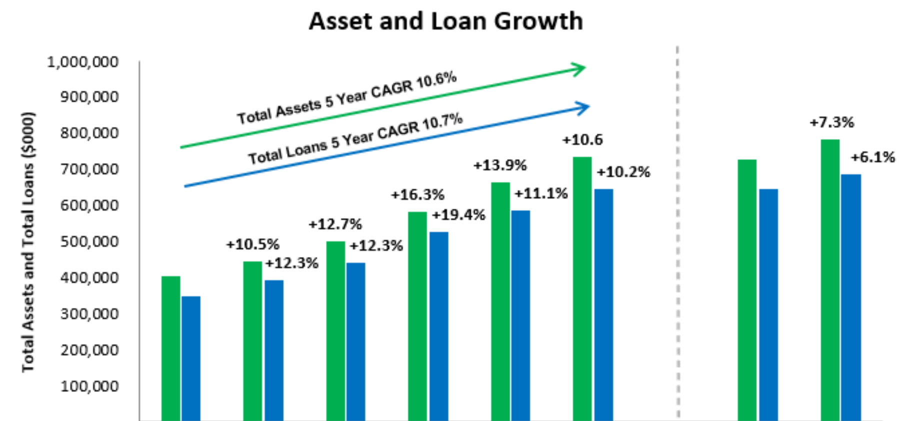
Our Competitive Strengths

Quality and stability of key management and board of directors with a strong track record. Our seasoned executive management team has extensive local knowledge of the banking industry. Drawing on their experience and deep ties to the community, our management team has grown the bank from its de novo beginnings to nearly $800 million in assets. Under their leadership, we have successfully grown through the recession, expanded our mortgage and wealth management divisions and navigated the challenges of regulatory reform. We believe management's track record of performance, guided by our board, will drive the continued growth of our franchise.

Business model. Management's strategic growth plan for the bank incorporates significant use of alternative delivery channels, such as remote deposit capture, mobile banking and bank-to-bank ACH. These customer driven services and products allow Meridian to minimize the number of branch locations as well as its branch staffing, to achieve a low-cost, efficient branch structure. Because of this structure, branch offices are equipped with state-of-the-art technology, including a teller cash recycler (TCR) for quick and easy transactions and a conversation area to demonstrate mobile and online banking on a tablet and a touch screen computer. With these tools, the customer is educated and encouraged to use our electronic banking channels. Meridian's monthly average for mobile deposits and remote deposits for the six months ended June 30, 2017 was $76.9 million, or over 21 thousand transactions combined.

Asset generation. Meridian has built its loan customer base from vigorous and consistent outreach by customer-facing personnel to businesses in our region. We have over 30 lending officers, a majority of whom have over 20 years of credit lending in this community. It is our strategic goal to reach businesses in the region by placing one full-service branch in and around the counties surrounding Philadelphia while also supporting those branches with loan production offices. In total, the bank will have 24 offices after the opening of the Philadelphia branch in November 2017. These loan production offices primarily facilitate growth in mortgage banking outside of Meridian's traditional branch footprint.

Meridian's asset growth has been strong and steady since opening in 2004. Total assets at December 31, 2011 were $401.9 million and have grown at a compounded annual growth rate of 10.6% to $733.7 million at the end of 2016. The increase is driven by growth in the loan portfolio as shown in the five-year chart below, along with the growth rates for 2017 year-to-date.



	2011Y	2012Y	2013Y	2014Y	2015Y	2016Y	2016Q2	2017Q2
Assets	401,930	444,232	500,668	582,208	663,344	733,693	727,497	780,661
Loans	349,051	392,092	440,273	525,892	584,428	643,864	645,318	684,809

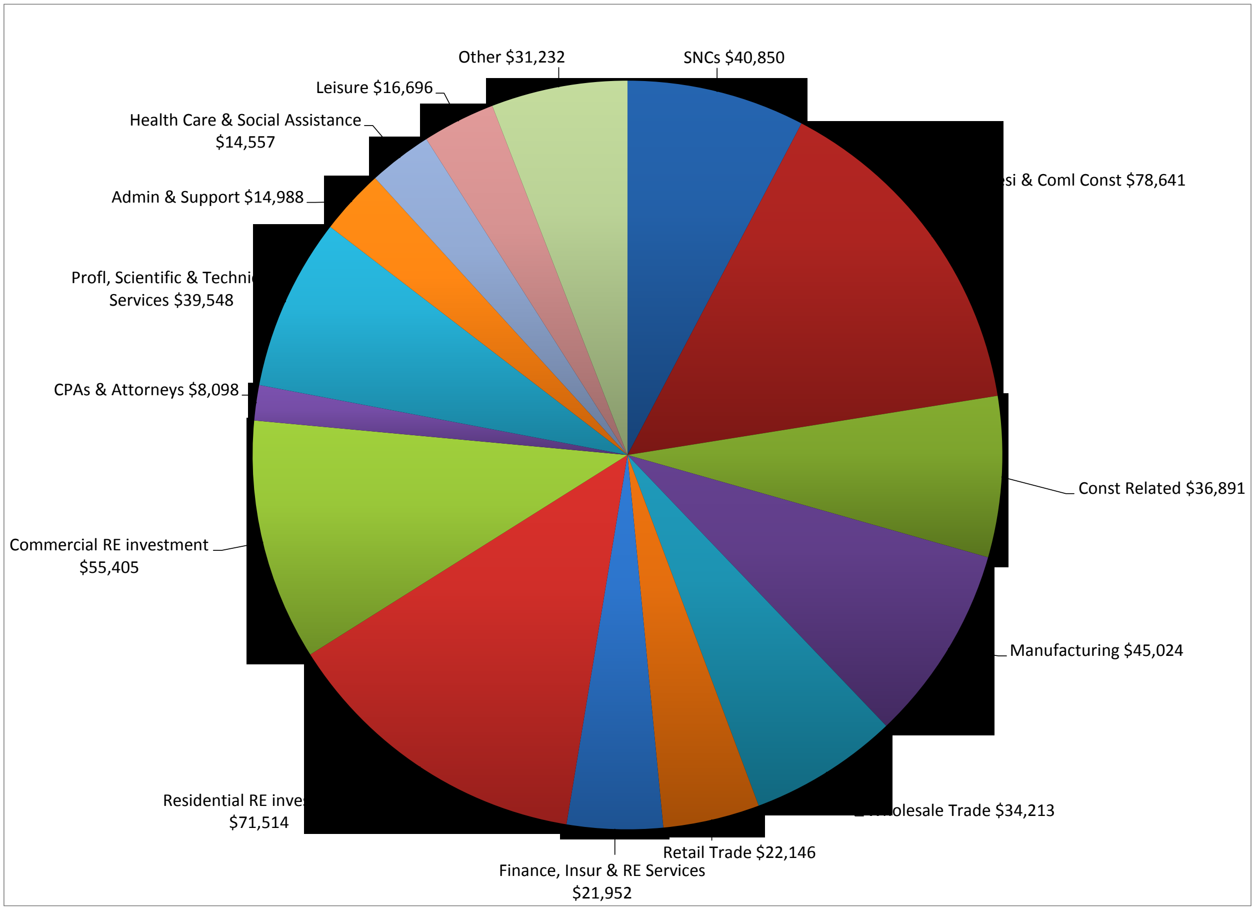
Our Management Team. Meridian is poised for organic and acquisition-related growth under the direction of our Management Team, who bring across-the-board competencies and experiences in both commercial and retail banking:

- Christopher J. Annas, Chairman, CEO and President who has 38 years of banking experience
- Denise Lindsay, EVP Chief Financial Officer who has 25 years of banking experience and who has worked with our CEO for 13 years
- Charles D. Kochka, EVP Chief Lending Officer who has 39 years of banking experience and who has worked with our CEO for 16 years
- Joseph L. Cafarchio, EVP Chief Credit Officer who has 37 years of banking experience and who has worked with our CEO for 15 years
- Thomas J. Campbell, SVP Mortgage Lending who has 31 years of banking experience and who has worked with our CEO for 7 years
- Edward J. Carpoletti, SVP Wealth Management who has 47 years of banking experience and who has worked with our CEO for 13 years
- Clarence Martindell, SVP CRE Lending who has 27 years of banking experience and who has worked with our CEO for 8 years
- James D. Nelsen, SVP Lending who has 44 years of banking experience and who has worked with our CEO for 10 years

The executive leadership and senior management teams' success in executing strategic initiatives has been accomplished via the long term recruitment of highly experienced officers with successful track records to pursue relationship-based banking. The team brings an entrepreneurial approach to the otherwise typically traditional banking field.

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

The graph below shows the diversification of our commercial loan portfolio at June 30, 2017.



Commercial and Industrial Lending

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

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

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

Commercial Real Estate Lending

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

The following summarizes our commercial real estate product offerings:

- Owner Occupied Real Estate Loans
  - Purchase and refinance loan opportunities for business owner, usually in partnered with commercial term or line of credit for owners' business
- Permanent – Investor Real Estate Loans
  - Purchase and refinance loan opportunities for a number of product types, including single-family rentals, multi-family residential as well as tenanted income producing properties in a variety of real estate types, including office, retail, industrial, and flex space
- Construction Loans
  - Residential construction loans to finance new construction and renovation of single and 1-4 family homes located within our market area
  - Commercial construction loans for investment properties, generally with semi-permanent attributes
  - Construction loans for new, expanded or renovated operations for our owner occupied business clients
- Land Development Loans
  - Meridian considers a limited number of strictly land development oriented loans based upon the risk, merit of the future project and strength of the borrower/guarantor relationship

Consumer and Personal Loans

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

Market Area

Locations. Meridian Bank is headquartered in Malvern and has five full-service branches. Its main branch, in Paoli, serves the Main Line. The West Chester and Media branches serve Chester and Delaware counties, respectively, while the Doylestown and Blue Bell branches serve Bucks and Montgomery counties. An additional branch is scheduled to open in Philadelphia in November 2017. These branches will provide new "Relationship Hubs" for our regional lending groups and allow Meridian to proceed in its plan for serving markets in each of the central (at or near the county seat) townships of the counties in and surrounding Philadelphia. In addition to our deposit taking branches, there are currently 17 other offices, including commercial loan production offices and headquarters for Corporate, the Wealth Division and the Mortgage Division. Other than our corporate headquarters, all of our offices are leased.

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

Housing Market. We believe that the Philadelphia housing market is quite strong compared to national trends. Builders are seeing the potential demand of the next wave of buyers as they reach milestone events (i.e., getting married, starting careers, having children, etc.). All of these trends are indicators that with supply sinking and increasing prices, we are not in a saturated market. This is a driver for loans goals, particularly for commercial real estate (CRE).

Our Competition

The primary service area, and all of the Delaware Valley, has undergone a major change in the banking structure over the past ten years. The merger activity that has occurred since 2009 when the recession began was significant to financial institutions in terms of retail deposits and small business services. The mergers caused turmoil for many local customers, and created opportunities for other banks to seize deposit and loan market share. The more recent post-recession purchases of larger regional banks have created a similar environment in our market area. When these banks consolidated, customers were affected by new fee structures, branch closings and centralized services that were, in many cases, moved several hundred miles away, often causing them to seek new locally-based institutions to satisfy their banking needs.

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

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

Risks Related to Our Company

An investment in our common stock involves substantial risks and uncertainties. Investors should carefully consider all of the information in this offering circular, including the detailed discussion of these risks under “Risk Factors” beginning on page [●], prior to investing in our common stock.

Our Corporate Information

We are headquartered at Nine Old Lincoln Highway, Malvern, Pennsylvania 19335 and our telephone number is (866) 327-9199. Our website address is www.meridianbanker.com. Information contained on, or that can be accessed through, our website is not incorporated by reference into this offering circular, and you should not consider information on our website to be part of this offering circular.

THE OFFERING

Common stock offered by us	[●] shares
Option to purchase additional shares	[●] shares from us
Common stock to be outstanding after this offering	[●] shares of common stock (or [●] shares if the underwriters exercise in full their option to purchase additional shares from us)
Use of proceeds	We estimate that the net proceeds to us from the sale of our common stock in this offering will be approximately $[●] million, or approximately $[●] million if the underwriters elect to exercise in full their option to purchase additional shares from us, after deducting underwriting discounts and commissions and estimated offering expenses, based on an assumed public offering price of $[●] per share, which is the midpoint of the price range set forth on the cover of this offering circular. Each $1.00 increase or decrease in the assumed public offering price of $[●] per share would increase or decrease the net proceeds to us from this offering by approximately $[●] million (or approximately $[●] million if the underwriters exercise their purchase option in full). We intend to use the net proceeds from this offering to repurchase all outstanding shares of our 2009A Preferred Stock, 2009B Preferred Stock and 2009C Preferred Stock for approximately $12.8 million and for general corporate purposes. See "Use of Proceeds".
Voting rights	Each holder of our common stock will be entitled to one vote per share on all matters on which our shareholders generally are entitled to vote. See "Description of Capital Stock" for more information. See also "Description of Holding Company Shares" and "Comparison of Shareholders' Rights."
Dividend policy	We do not expect to pay cash dividends on our common stock in the near-term. Instead, we anticipate that all of our future earnings will be retained to support our operations and finance the growth and development of our business. Any future determination to pay dividends on our common stock will be made by our board of directors and will depend upon our results of operations, financial condition, capital requirements, regulatory and contractual restrictions, our business strategy and other factors that our board of directors deems relevant. See "Dividend Policy and Dividends".
Preemptive rights	Purchasers of our common stock sold in this offering will not have any preemptive rights.
Listing	We have applied for listing on the NASDAQ [Global Select] Market. If we do not obtain approval to list on the NASDAQ [Global Select] Market, we may fail to complete our offering, and the price and liquidity of our stock may be adversely affected.
Risk factors	Investing in our common stock involves significant risks. See "Risk Factors", beginning on page [●], for a discussion of certain factors that you should carefully consider before deciding to invest in our common stock.

Unless we specifically state otherwise, all information in this offering circular is as of the date set forth on the front cover of this offering circular and:

- assumes no exercise of the underwriters' option to purchase additional shares of our common stock;
- assumes no exercise of the 122,928 stock options that were outstanding and exercisable as of June 30, 2017; and
- excludes 153,150 shares of common stock that may be granted under our 2016 equity incentive plan.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

You should read the summary historical consolidated financial and operating data set forth below in conjunction with the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Capitalization", as well as our consolidated financial statements and the related notes included elsewhere in this offering circular. The following table summarizes certain selected consolidated financial data for the periods presented. Our historical results may not be indicative of our future performance. The summary historical consolidated financial and operating information presented below contains financial measures that are not presented in accordance with accounting principles generally accepted in the United States ("GAAP") and have not been audited.

(Dollars in thousands, except per share data)	**As of and for the Six Months Ended June 30,**		**As of and for the Years Ended December 31,**				
	2017	**2016**	**2016**	**2015**	**2014**	**2013**	**2012**
Selected period End Balance Sheet Data:							
Cash and cash equivalents	$ 10,349	$ 11,221	$ 18,872	$ 19,159	$ 10,330	$ 11,407	$ 8,666
Investment securities	51,027	47,524	47,552	39,739	30,913	30,495	26,150
Loans receivable, gross	684,809	645,318	643,864	584,428	525,892	440,273	392,092
Loans held for sale	36,411	102,309	39,573	83,684	45,065	34,992	41,156
Allowance for loan losses	(6,214)	(5,244)	(5,425)	(5,298)	(5,008)	(4,084)	(4,900)
Goodwill and intangible assets, net	5,640	-	-	-	-	-	-
Total assets	780,661	727,497	733,693	663,344	582,208	500,668	444,232
Interest-bearing deposits	461,525	457,958	431,034	430,068	422,331	351,423	333,073
Total deposits	559,519	531,417	527,136	490,568	462,709	387,398	368,851
Total liabilities	709,523	659,135	663,730	610,423	537,167	460,957	406,737
Total stockholders' equity	71,138	68,362	69,963	52,921	45,041	39,711	37,495
Selected Income Statement Data:							
Interest income	$ 16,720	$ 14,737	$ 30,980	$ 27,981	$ 25,262	$ 21,662	$ 20,213
Interest expense	2,957	2,500	5,192	4,590	3,752	3,409	3,581
Net interest income	13,763	12,237	25,788	23,391	21,510	18,253	16,632
Provision for loan losses	780	307	1,198	1,434	2,543	861	1,514
Net interest income after provision for loan losses	12,983	11,930	24,590	21,957	18,967	17,392	15,118
Noninterest income	17,071	18,678	42,844	36,121	25,289	23,143	17,075
Noninterest expense	28,043	27,025	59,913	48,642	37,678	34,663	26,250
Net income before income taxes	2,011	3,583	7,521	9,436	6,578	5,872	5,943
Income tax expense	665	1,260	2,599	3,248	2,271	2,003	1,904
Net income	1,346	2,323	4,922	6,188	4,307	3,869	4,039
Preferred stock dividends and net accretion	(578)	(578)	(1,156)	(1,099)	(890)	(717)	(717)
Net income available to common shareholders	768	1,745	3,767	5,089	3,417	3,152	3,322
Selected Per Share Data:							
Earnings per common share, basic	0.21	0.56	1.12	1.91	1.38	1.30	1.37
Earnings per common share, diluted	0.21	0.55	1.11	1.88	1.35	1.24	1.31
Book value per common share	15.81	15.16	15.50	15.43	12.48	11.06	10.17
Tangible book value per common share[1]	14.27	15.16	15.50	15.43	12.48	11.06	10.17
Weighted average common shares outstanding, basic	3,686	3,117	3,362	2,669	2,484	2,429	2,429
Weighted average common shares outstanding, diluted	3,722	3,146	3,389	2,706	2,523	2,548	2,534

(Dollars in thousands, except per share data)	As of and for the Six Months Ended June 30,		As of and for the Years Ended December 31,				
	2017	**2016**	**2016**	**2015**	**2014**	**2013**	**2012**
Shares outstanding at the end of period	3,686	3,663	3,685	2,773	2,580	2,430	2,430
Selected Performance Metrics:							
Return on average assets (ROAA)	0.37%	0.72%	0.71%	1.02%	0.80%	0.84%	0.99%
Return on average stockholders' equity (ROAE)	3.92%	7.72%	7.69%	12.78%	10.32%	10.19%	11.33%
Net interest spread	3.69%	3.71%	3.67%	3.83%	4.01%	4.02%	3.99%
Net interest margin (NIM)	3.93%	3.90%	3.87%	3.98%	4.13%	4.16%	4.22%
Efficiency ratio	90.95%	87.42%	87.30%	81.73%	80.51%	83.74%	77.88%
Noninterest income to average assets	4.67%	5.77%	6.21%	5.96%	4.70%	5.02%	4.17%
Noninterest expense to average assets	7.67%	8.34%	8.68%	8.03%	7.00%	7.53%	6.41%
Yield on interest-earning assets	4.74%	4.67%	4.62%	4.74%	4.83%	4.91%	5.09%
Cost of interest-bearing liabilities	1.06%	0.96%	0.95%	0.91%	0.82%	0.89%	1.10%
Yield on loans	5.02%	4.96%	4.89%	4.99%	5.10%	5.22%	5.46%
Cost of deposits	0.83%	0.75%	0.77%	0.71%	0.70%	0.78%	1.00%
Selected Credit Quality Ratios:							
Nonperforming assets to total assets	0.54%	0.80%	0.73%	0.63%	0.67%	1.93%	2.93%
Nonperforming loans to total loans	0.61%	0.88%	0.83%	0.68%	0.66%	1.79%	2.15%
Allowance for loan losses to nonperforming loans	148.13%	92.13%	101.90%	133.65%	143.21%	51.70%	58.11%
Allowance for loan losses to total loans	0.91%	0.81%	0.84%	0.91%	0.95%	0.93%	1.25%
Allowance for loan losses to total loans held-for-investment	0.96%	0.97%	0.90%	1.06%	1.04%	1.01%	1.40%
Net charge-offs to average loans	0.00%	0.06%	0.17%	0.21%	0.34%	0.42%	0.31%
Capital Ratios:							
Tier 1 leverage capital ratio	8.85%	10.13%	9.67%	8.39%	7.91%	8.42%	8.55%
Tier 1 risk-based capital ratio	9.39%	10.66%	10.62%	9.29%	8.33%	8.59%	8.83%
Total risk-based capital ratio	12.21%	13.64%	13.51%	12.58%	11.73%	10.17%	10.45%
Common equity tier 1 capital ratio	7.57%	8.67%	8.68%	7.04%	N/A	N/A	N/A

(1) Tangible book value is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. For tangible book value, the most directly comparable financial measure calculated in accordance with GAAP is our book value. We believe that this measure is important to many investors in the marketplace who are interested in changes from period to period in book value per common share exclusive of changes in intangible assets. Goodwill and other intangible assets have the effect of increasing total book value while not increasing our tangible book value. The table below provides the non-GAAP reconciliation for tangible book value:

(Dollars in thousands, except per share data)	As of June 30,		As of December 31,				
	2017	**2016**	**2016**	**2015**	**2014**	**2013**	**2012**
Tangible common equity:							
Total stockholders' equity	$ 71,138	$ 68,362	$ 69,963	$ 52,921	$ 45,041	$ 39,711	$ 37,495
Less:							

(Dollars in thousands, except per share data)	**As of June 30,**		**As of December 31,**				
Preferred stock	12,845	12,845	12,845	12,845	12,845	12,837	12,775
Goodwill	899						
Intangible assets	4,741	-	-	-	-	-	-
Tangible common equity	$ 52,653	$ 55,517	$ 57,118	$ 40,076	$ 32,196	$ 26,874	$ 24,720
Tangible book value per share:							
Tangible common equity	$ 52,653	$ 55,517	$ 57,118	$ 40,076	$ 32,196	$ 26,874	$ 24,720
Shares of common stock outstanding	3,686	3,663	3,685	2,598	2,580	2,430	2,430
Tangible book value per common share	$14.27	$15.16	$15.50	$15.43	$12.48	$11.06	$10.17

RISK FACTORS

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

Risks Related to Our Business

Credit and Interest Rate Risks

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

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

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

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

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

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

As of June 30, 2017, our allowance for loan and lease losses as a percentage of total loans and leases held for investment was 0.96% and as a percentage of total nonperforming loans and leases was 148.1%. Additional credit losses will likely occur in the future and may occur at a rate greater than we have previously experienced. We may be required to take additional provisions for loan and lease losses in the future further to supplement the allowance for credit losses, either due to management's assessment that the allowance is inadequate or requirements by our banking regulators. In addition, bank regulatory agencies will periodically review our allowance for loan and lease losses, the policies and procedures we use to determine the level of the allowance and the value attributed to nonperforming loans or to real estate acquired through foreclosure. Such regulatory agencies may require us to make further provisions or recognize future charge-offs. Further, if charge-offs in future periods exceed the allowance for loan and lease losses, we may need additional adjustments to increase the allowance for loan and lease losses.

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

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

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

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

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

Our mortgage lending business may not provide us with significant noninterest income.

In 2016, we originated $892 million and sold $902 million of residential mortgage loans to investors, as compared to $837 million originated and $790 million sold to investors in 2015. We originated $326 million and sold $323 million of residential mortgage loans to investors during the six months ended June 30, 2017, as compared to $405 million originated and $368 million sold to investors during the six months ended June 30, 2016. The residential mortgage business is highly competitive, and highly susceptible to changes in market interest rates, consumer confidence levels, employment statistics, the capacity and willingness of secondary market purchasers to acquire and hold or securitize loans, and other factors beyond our control.

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

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

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

We expect to begin selling mortgage loans to GSEs, with servicing retained, in the fourth quarter of 2017. When we do so, we will be dependent on a third-party service provider to provide our mortgage loan servicing business with certain primary and special servicing services that are essential to this business. Primary servicing includes the collection of regular payments, processing of tax and insurance, processing of payoffs, handling borrower inquiries and reporting to the borrower. Special servicing is focused on borrowers who are delinquent or on loans which are more complex or in need of more hands-on attention. In the event that our current third-party service provider, or any other third-party service provider that we may use in the future, fails to perform its servicing duties or performs those duties inadequately, we could experience a temporary interruption in collecting principal and interest, sustain credit losses on our loans or incur additional costs to obtain a replacement servicer and there can be no assurance that a replacement servicer could be retained in a timely manner or at similar rates. Furthermore, our servicing rights could be terminated or we may be required to repurchase mortgage loans or reimburse investors due to such failures of our third party service providers.

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

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

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

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

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

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

Interest rates are volatile and highly sensitive to many factors that are beyond our control, such as economic conditions and policies of various governmental and regulatory agencies, and, in particular U.S. monetary policy. For example, we face uncertainty regarding the interest rate risk, and resulting effect on our portfolio, that could result if the Federal Reserve reduces the amount of securities it holds on its balance sheet. In recent years, it has been the policy of the Federal Reserve to maintain interest rates at historically low levels through a targeted federal funds rate and the purchase of U.S. Treasury and mortgage-backed securities. As a result, yields on securities we have purchased, and market rates on the loans we have originated, have been at levels lower than were available prior to the recession of 2008 to 2009, despite the Federal Reserve's announcement on September 20, 2017 of its intention to begin unwinding its stimulus program in October 2017 and leaving interest rates unchanged after having increased interest rates previously in 2017. Consequently, the average yield on banks' interest-earning assets has generally decreased during the current low interest rate environment. If a low interest rate environment persists, we may be unable to increase our net interest income.

As of June 30, 2017, we had $98.0 million of non-interest bearing transaction accounts and $289.7 million of interest-bearing transaction accounts. Current interest rates for interest-bearing accounts are very low due to current market conditions. However, we do not know what market rates will eventually be, especially as the Federal Reserve unwinds its stimulus program and continues to increase interest rates. If we need to offer higher interest rates on checking accounts to maintain current clients or attract new clients, our interest expense will increase, perhaps materially. Furthermore, if we fail to offer interest in a sufficient amount to keep these demand deposits, our core deposits may be reduced, which would require us to obtain funding in other ways or risk slowing our future asset growth.

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

In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and, as real estate values may change significantly in relatively short periods of time (especially in periods of heightened economic uncertainty), this estimate may not accurately describe the fair value of the real property collateral after the loan is made. As a result, we may not be able to realize the full amount of any remaining indebtedness when we foreclose on and sell the relevant property. In addition, we rely on appraisals and other valuation techniques to establish the value of our OREO and personal property that we acquire through foreclosure proceedings and to determine certain loan impairments. If any of these valuations are inaccurate, our consolidated financial statements may not reflect the correct value of our OREO, and our allowance for loan and lease losses may not reflect accurate loan impairments. This could have a material adverse effect on our business, financial condition or results of operations.

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

We have pursued a focused program to participate in select syndicated loans (loans made by a group of lenders, including us, who share or participate in a specific loan) with a larger regional or global financial institution as the lead lender. Syndicated loans are typically made to large businesses (which are referred to as shared national credits) or middle market companies (which do not meet the regulatory definition of shared national credits), both of which are secured by business assets or equipment, and commercial real estate located often outside of our market area. The syndicate group for both types of loans usually consists of several other financial institutions. Our commitment typically ranges between $1 million to $4 million. At June 30, 2017, SNCs totaled $40.7 million, or 6.3% of our total loan portfolio. Syndicated loans may have a higher risk of loss than other loans we originate because we rely on the lead lender to monitor the performance of the loan. Moreover, our decision regarding the classification of a syndicated loan and loan loss provisions associated with a syndicated loan are made in part based upon information provided by the lead lender. A lead lender also may not monitor a syndicated loan in the same manner as we would for other loans that we originate. If our underwriting of these syndicated loans is not sufficient, our non-performing loans may increase and our earnings may decrease.

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

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

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

As of June 30, 2017, we owned $51.0 million of investment securities, which consisted primarily of our positions in U.S. government and GSEs and federal agency obligations, mortgage and asset-backed securities and municipal securities. We evaluate our investment securities on at least a quarterly basis, and more frequently when economic and market conditions warrant such an evaluation, to determine whether any decline in fair value below amortized cost is the result of an other-than-temporary impairment. The process for determining whether impairment is other-than-temporary usually requires complex, subjective judgments about the future financial performance of the issuer in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers, we may be required to recognize other-than-temporary impairment in future periods, which could adversely affect our business, results of operations or financial condition.

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

Concentrated exposures to individual obligors may unfavorably impact our operations.

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

Funding Risks

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

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

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

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

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

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

Loss of deposits could increase our funding costs.

As do many banking companies, we rely on customer deposits to meet a considerable portion of our funding needs, and we continue to seek customer deposits to maintain this funding base. We accept deposits directly from consumer and commercial customers and, as of June 30, 2017, we had $559.5 million in deposits. These deposits are subject to potentially dramatic fluctuations in availability or the price we must pay (in the form of interest) to obtain them due to certain factors outside our control, such as a loss of confidence by customers in us or the banking sector generally, customer perceptions of our financial health and general reputation, increasing competitive pressures from other financial services firms for consumer or corporate customer deposits, changes in interest rates and returns on other investment classes, which could result in significant outflows of deposits within short periods of time or significant changes in pricing necessary to maintain current customer deposits or attract additional deposits. The loss of customer deposits for any reason could increase our funding costs.

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

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

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

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

Operational Risks

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

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

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

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

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

As a financial institution, we are susceptible to fraudulent activity, information security breaches and cybersecurity-related incidents that may be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Information security breaches and cybersecurity-related incidents may include fraudulent or unauthorized access to systems used by us or our clients, denial or degradation of service attacks, and malware or other cyber-attacks. In recent periods, there continues to be a rise in electronic fraudulent activity, security breaches and cyber-attacks within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts. Consistent with industry trends, we have also experienced an increase in attempted electronic fraudulent activity, security breaches and cybersecurity-related incidents in recent periods. Moreover, in recent periods, several large corporations, including financial institutions and retail companies, have suffered major data breaches, in some cases exposing not only confidential and proprietary corporate information, but also sensitive financial and other personal information of their customers and employees and subjecting them to potential fraudulent activity. For example, on September 7, 2017, Equifax, Inc. announced a cybersecurity incident involving consumer information potentially impacting 143 million U.S. consumers. Some of our clients may have been affected by these breaches, which could increase their risks of identity theft and other fraudulent activity that could involve their accounts with us.

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

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

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

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

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

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

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

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

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

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

We continually encounter technological change.

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

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

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

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

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

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

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

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

External Risks

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

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

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

Many of the loans in our portfolio are secured by real estate. As of June 30, 2017, our real estate loans include \$82.4 million of construction and development loans, \$84.2 million of home equity loans, \$242.5 million of CRE loans and \$22.7 million of residential mortgage loans, with the majority of these real estate loans secured by properties concentrated in southeast Pennsylvania, Delaware and south New Jersey. Real property values in our market may be different from, and in some instances worse than, real property values in other markets or in the United States as a whole, and may be affected by a variety of factors outside of our control and the control of our borrowers, including national and local economic conditions, generally. Southeast Pennsylvania, Delaware and south New Jersey has experienced volatility in real estate values over the past decade. Declines in real estate values, including prices for homes and commercial properties in southeast Pennsylvania, Delaware and south New Jersey, could result in a deterioration of the credit quality of our borrowers, an increase in the number of loan delinquencies, defaults and charge-offs, and reduced demand for our products and services, generally. Our CRE loans may have a greater risk of loss than residential mortgage loans, in part because these loans are generally larger or more complex to underwrite. In particular, real estate construction and acquisition and development loans have certain risks not present in other types of loans, including risks associated with construction cost overruns, project completion risk, general contractor credit risk and risks associated with the ultimate sale or use of the completed construction. In addition, declines in real property values in the states in which we operate could reduce the value of any collateral we realize following a default on these loans and could adversely affect our ability to continue to grow our loan and lease portfolio consistent with our underwriting standards. We may have to foreclose on real estate assets if borrowers default on their loans, in which case we are required to record the related asset to the then fair market value of the collateral, which may ultimately result in a loss. An increase in the level of nonperforming assets increases our risk profile and may affect the capital levels regulators believe are appropriate in light of the ensuing risk profile. Our failure to effectively mitigate these risks could have a material adverse effect on our business, financial condition or results of operations.

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

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

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

We operate in the highly competitive financial services industry and face significant competition for customers from financial institutions located both within and beyond our principal markets. We compete with national commercial banks, regional banks, private banks, savings banks, credit unions, non-bank financial services companies and other financial institutions operating within or near the areas we serve, many of whom target the same customers we do in southeast Pennsylvania, Delaware and south New Jersey. As customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for banks to expand their geographic reach by providing services over the Internet and for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. The banking industry is experiencing rapid changes in technology, and, as a result, our future success will depend in part on our ability to address our customers' needs by using technology. Customer loyalty can be influenced by a competitor's new products, especially offerings that could provide cost savings or a higher return to the customer. Increased lending activity of competing banks following the recession of 2008 to 2009 has also led to increased competitive pressures on loan rates and terms for high-quality credits. We may not be able to compete successfully with other financial institutions in our markets, particularly with larger financial institutions operating in our markets that have significantly greater resources than us, and we may have to pay higher interest rates to attract deposits, accept lower yields to attract loans and pay higher wages for new employees, resulting in lower net interest margins and reduced profitability. Many of our non-bank competitors are not subject to the same extensive regulations that govern our activities and may have greater flexibility in competing for business. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. In addition, some of our current commercial banking customers may seek alternative banking sources as they develop needs for credit facilities larger than we may be able to accommodate or more expansive product mixes offered by larger institutions. We also face increased competition in our U.S. government guaranteed lending business which can adversely affect our volume and the premium, if any, recognized on sales of the guaranteed portions of such U.S. government guaranteed loans. Our inability to compete successfully in the markets in which we operate could have a material adverse effect on our business, financial condition or results of operations.

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

We rely, in part, on the reputation of the bank to attract customers and retain our customer relationships. Damage to our reputation could undermine the confidence of our current and potential customers in our ability to provide high-quality financial services. Such damage could also impair the confidence of our counterparties and vendors and ultimately affect our ability to effect transactions. Maintenance of our reputation depends not only on our success in maintaining our service-focused culture and controlling and mitigating the various risks described in this offering circular, but also on our success in identifying and appropriately addressing issues that may arise in areas such as potential conflicts of interest, anti-money laundering, customer personal information and privacy issues, customer and other third party fraud, record-keeping, regulatory investigations and any litigation that may arise from the failure or perceived failure of us to comply with legal and regulatory requirements. Maintaining our reputation also depends on our ability to successfully prevent third parties from infringing on the "Meridian Bank" brand and associated trademarks and our other intellectual property. Defense of our reputation, trademarks and other intellectual property, including through litigation, could result in costs that could have a material adverse effect on our business, financial condition or results of operations.

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

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

Legal, Accounting and Compliance Risks

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

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

Certain accounting policies are critical to presenting our financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting policies include the allowance for loan and lease losses and fair value measurements. See Note 1 of Meridian's Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015 for further information. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for loan losses or sustain loan losses that are significantly higher than the reserve provided; or reduce the carrying value of an asset measured at fair value. Any of these could have a material adverse effect on our business, financial condition or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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

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

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

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

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

Since the recession ended in 2009, federal and state banking laws and regulations, as well as interpretations and implementations of these laws and regulations, have undergone substantial review and change. In particular, the Dodd-Frank Act drastically revised the laws and regulations under which we operate. As an institution with less than $10 billion in assets, certain elements of the Dodd-Frank Act have not been applied to us. While we endeavor to maintain safe banking practices and controls beyond the regulatory requirements applicable to us, our internal controls may not match those of larger banking institutions that are subject to increased regulatory oversight.

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

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

The current presidential administration has indicated that it would like to see changes made to certain financial reform regulations, including the Dodd-Frank Act, which has resulted in increased regulatory uncertainty, and we are assessing the potential impact on financial and economic markets and on our business. Changes in federal policy and at regulatory agencies are expected to occur over time through policy and personnel changes, which could lead to changes involving the level of oversight and focus on the financial services industry. The nature, timing and economic and political effects of potential changes to the current legal and regulatory framework affecting financial institutions remain highly uncertain. At this time, it is unclear what laws, regulations and policies may change and whether future changes or uncertainty surrounding future changes will adversely affect our operating environment and therefore our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business is subject to increased litigation and regulatory risks as a result of a number of factors, including the highly regulated nature of the financial services industry and the focus of state and federal prosecutors on banks and the financial services industry generally. This focus has only intensified since the recession ended in 2009, with regulators and prosecutors focusing on a variety of financial institution practices and requirements, including foreclosure practices, compliance with applicable consumer protection laws, classification of "held for sale" assets and compliance with anti-money laundering statutes, the Bank Secrecy Act and sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC").

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

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

The USA PATRIOT Act of 2001 and the Bank Secrecy Act require financial institutions to design and implement programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the Financial Crimes Enforcement Network of the U.S. Department of the Treasury. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Federal and state bank regulators also have focused on compliance with Bank Secrecy Act and anti-money laundering regulations. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. In recent years, several banking institutions have received large fines for non-compliance with these laws and regulations. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, these policies and procedures may not be effective in preventing violations of these laws and regulations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us, which could have a material adverse effect on our business, financial condition or results of operations.

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

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

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

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

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

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

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans and there is a risk that hazardous or toxic substances could be found on these properties, notwithstanding our prior due diligence. We also own our corporate headquarters and it is possible that hazardous or toxic substances could be found on this property. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Acquisition Activity

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

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

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

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

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

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

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

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

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

Risks Related to Our Common Stock

No prior public market exists for our common stock, and one may not develop.

Before this offering, there has not been a public trading market for our common stock, and an active trading market may not develop or be sustained after this offering. If an active trading market does not develop, you may have difficulty selling your shares of common stock at an attractive price—or at all. The initial public offering price for our common stock sold in this offering will be determined by us and the underwriters. This price may not be indicative of the price at which our common stock will trade after this offering. The market price of our common stock may decline below the initial offering price, and you may not be able to sell your common stock at or above the price you paid in this offering—or at all.

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

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

- actual or anticipated variations in our quarterly results of operations;
- recommendations or research reports about us or the financial services industry in general published by securities analysts;

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

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

We are subject to the rules and regulations promulgated under the U.S. Treasury's TARP program, which, among other things, may directly affect control of Meridian Bank and board representation.

We have issued 6,200 shares of our Series 2009A preferred stock, 310 shares of our Series 2009B preferred stock and 6,355 shares of our Series 2009C preferred stock as part of the U.S. Treasury's TARP program. Shares of our Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock are senior to our shares of common stock, and their holders have certain rights and preferences that are senior to holders of our common stock. Shares of these preferred stock are entitled to a liquidation preference over shares of our common stock in the event of our liquidation, dissolution or winding up. We are required to pay quarterly dividends on this preferred stock, and the terms of the preferred stock provide that if we fail to make six of these dividend payments, the holder of the preferred stock may appoint two directors to our Board. To date, we have not failed to make any dividend payments. While we intend to use a portion of the net proceeds to redeem these shares, there can be no assurance approval of such redemption by our bank regulators will be received or, if received, will be timely.

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

For as long as we remain an "emerging growth company", as defined in the JOBS Act, we will have the option to take advantage of certain exemptions from various reporting and other requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), being permitted to have an extended transition period for adopting any new or revised accounting standards that may be issued by the Financial Accounting Standards Board or the SEC reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We have elected to, and expect to continue to, take advantage of certain of these and other exemptions until we are no longer an emerging growth company. If we do so, we will prominently disclose this decision in the first periodic report following our decision, and such decision is irrevocable. Further, the JOBS Act allows us to present only two years of audited financial statements and only two years of related management's discussion and analysis of financial condition and results of operations. However, we have elected to provide five years of selected financial data in this offering circular.

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

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

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

Fulfilling our public company financial reporting and other regulatory obligations and transitioning to a standalone public company will be expensive and time consuming and may strain our resources.

As a public company, we will be subject to the reporting requirements of the Exchange Act and will be required to implement specific corporate governance practices and adhere to a variety of reporting requirements under Sarbanes-Oxley and the related rules and regulations of the SEC, as well as the rules of The NASDAQ Stock Market LLC (Nasdaq). The Exchange Act will require us to file annual, quarterly and current reports with respect to our business and financial condition. Sarbanes-Oxley will require, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Compliance with these requirements will place additional demands on our legal, accounting, finance and investor relations staff and on our accounting, financial and information systems and will increase our legal and accounting compliance costs as well as our compensation expense as we may be required to hire additional legal, accounting, tax, finance and investor relations staff. As a public company we may also need to enhance our investor relations and corporate communications functions and attract additional qualified board members. These additional efforts may strain our resources and divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition or results of operations. We expect to incur additional incremental ongoing and one-time expenses in connection with our transition to a public company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-interest Expense". The actual amount of the incremental expenses we will incur may be higher, perhaps significantly, from our current estimates.

In accordance with Section 404 of Sarbanes-Oxley, our management will be required to conduct an annual assessment of the effectiveness of our internal control over financial reporting and include a report on these internal controls in the annual reports we will file with the FDIC on Form 10-K and, upon completion of the holding company formation, the SEC. Our independent registered public accounting firm will not be required to attest formally to the effectiveness of our internal controls until the later of the year following the first annual report required to be filed with the FDIC, or the SEC, if applicable, and the date on which we are no longer an "emerging growth company". When required, this process will require additional documentation of policies, procedures and systems, further review of that documentation by our third party internal auditing staff and internal accounting staff and our outside independent registered public accounting firm, and additional testing of our internal control over financial reporting by our third party internal auditing staff and internal accounting staff and our outside independent registered public accounting firm. This process will involve considerable time and attention, may strain our internal resources, and will increase our operating costs. We may experience higher than anticipated operating expenses and outside auditor fees during the implementation of these changes and thereafter. If our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by Nasdaq, the FDIC or other regulatory authorities, which could require additional financial and management resources.

If we are not able to implement the requirements of Section 404 of Sarbanes-Oxley in a timely and capable manner, we may be subject to adverse regulatory consequences and there could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. This could have a material adverse effect on our business, financial condition or results of operations.

The financial reporting resources we have put in place may not be sufficient to ensure the accuracy of the additional information we are required to disclose as a publicly listed company.

As a result of becoming a publicly listed company, we will be subject to the heightened financial reporting standards under GAAP and SEC and FDIC rules, including more extensive levels of disclosure. Complying with these standards requires enhancements to the design and operation of our internal control over financial reporting as well as additional financial reporting and accounting staff with appropriate training and experience in GAAP and SEC rules and regulations.

If we are unable to meet the demands that will be placed upon us as a public company, including the requirements of Sarbanes-Oxley or, when our assets are in excess of $1 billion, the FDIC, we may be unable to report our financial results accurately, or report them within the timeframes required by law or stock exchange regulations. Failure to comply with Sarbanes-Oxley or FDIC internal control regulations, each when and as applicable, could also potentially subject us to sanctions or investigations by the FDIC or other regulatory authorities. If material weaknesses or other deficiencies occur, our ability to report our financial results accurately and timely could be impaired, which could result in late filings of our annual and quarterly reports under the Exchange Act, restatements of our consolidated financial statements, a decline in our stock price, suspension or delisting of our common stock from Nasdaq, and could have a material adverse effect on our business, results of operations or financial condition. Even if we are able to report our financial statements accurately and in a timely manner, any failure in our efforts to implement the improvements or disclosure of material weaknesses in our future filings with the FDIC could cause our reputation to be harmed and our stock price to decline significantly.

We have not performed an evaluation of our internal control over financial reporting, as contemplated by Section 404 of Sarbanes-Oxley or the FDIC internal control regulations when our assets are in excess of $1 billion, nor have we engaged our independent registered public accounting firm to perform an audit of our internal control over financial reporting as of any balance sheet date reported in our financial statements. Had we performed such an evaluation or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, material weaknesses may have been identified. In addition, the JOBS Act provides that, so long as we qualify as an "emerging growth company", we will be exempt from the provisions of Section 404(b) of Sarbanes-Oxley, which would require that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting. We may take advantage of this exemption so long as we qualify as an "emerging growth company".

Investors in this offering will experience immediate and substantial dilution.

The initial public offering price is expected to be substantially higher than the net tangible book value per share of our common stock immediately following this offering. Therefore, if you purchase shares in the offering, you will experience immediate and substantial dilution in net tangible book value per share in relation to the price that you paid for your shares. We expect the dilution as a result of the offering to be $[●] per share, based on our pro forma net tangible book value of $[●] per share as of June 30, 2017 and an assumed public offering price of $[●] per share (the mid-point of the range set forth on the cover page of this offering circular). Accordingly, if we were liquidated at our pro forma net tangible book value, you would not receive the full amount of your investment.

Future sales of our common stock in the public market, including by our current shareholders, could lower our stock price, and any increase in shares issued as part of our equity-based compensation plans or for other purposes may dilute your ownership in us.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock available for sale after completion of this offering or from the perception that such sales could occur. These sales, or the possibility that these sales may occur, also may make it more difficult for us to raise additional capital by selling equity securities in the future, at a time and price that we deem appropriate. Upon completion of this offering, we will have a total of [●] outstanding shares of common stock, assuming the underwriters do not exercise their option to purchase additional shares. Of the outstanding shares, the [●] shares sold in this offering (or [●] shares if the underwriters exercise their option to purchase additional shares in full) will be freely tradable without restriction or further registration under the Securities Act, except that any shares purchased or held by our affiliates, as that term is defined under Rule 144 of the Securities Act, will be restricted as to their sale for a period of 180 day after the date of this offering circular. See "Underwriting—Lock-up Agreements" for further information.

We have agreed with the underwriters not to offer, pledge, sell or otherwise dispose of or hedge any shares of our common stock, subject to certain exceptions, for the 180-day period following the date of this offering circular, without the prior consent of Sandler O'Neill + Partners, L.P. on behalf of the underwriters. Holders of a significant majority of our common stock and all of our officers and directors have entered into similar lock-up agreements with the underwriters, subject to de minimis exceptions. The underwriters may, at any time, release us or any of our officers or directors from this lock-up agreement and allow us to sell shares of our common stock within this 180-day period. In addition, any shares purchased through the reserved share program described in this offering circular are subject to the same 180-day lockup period.

Upon the expiration of the lock-up agreements described above, all of such shares will be eligible for resale in a public market, subject, in the case of shares held by our affiliates, to volume, manner of sale and other limitations under Rule 144 of the Securities Act.

We cannot predict the size of future issuances or sales of our common stock or the effect, if any, that future issuances or sales of shares of our common stock may have on the market price of our common stock. Sales or distributions of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our common stock to decline.

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

Provisions of federal banking laws, including regulatory approval requirements, could make it difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. Acquisition of 10% or more of any class of voting stock of a bank holding company or depository institution, including shares of our common stock following completion of this offering, generally creates a rebuttable presumption that the acquirer "controls" the bank holding company or depository institution. Also, a bank holding company must obtain the prior approval of the Federal Reserve before, among other things, acquiring direct or indirect ownership or control of more than 5% of the voting shares of any depository institution, including the bank, or its holding company.

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

We have broad discretion in the use of the net proceeds from this offering, and our use of those proceeds may not yield a favorable return on your investment.

We intend to use the net proceeds generated by this offering to support our organic growth and for other general corporate purposes that may include, but are not limited to the repayment or refinancing of outstanding debt, working capital and other general purposes. Our management has broad discretion over how these proceeds are to be used and could spend the proceeds in ways with which you may not agree. In addition, we may not use the proceeds of this offering effectively or in a manner that increases our market value or enhances our profitability. We have not established a timetable for the effective deployment of the proceeds, and we cannot predict how long it will take to deploy the proceeds. Investing the offering proceeds in securities until we are able to deploy the proceeds will provide lower margins than we generally earn on loans, potentially adversely affecting shareholder returns, including earnings per share, return on assets and return on equity.

An investment in our common stock is not an insured deposit and is subject to risk of loss.

Your investment in our common stock will not be a bank deposit and will not be insured or guaranteed by the FDIC or any other government agency. Your investment will be subject to investment risk, and you must be capable of affording the loss of your entire investment.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as “may”, “might”, “should”, “could”, “predict”, “potential”, “believe”, “expect”, “continue”, “will”, “anticipate”, “seek”, “estimate”, “intend”, “plan”, “projection”, “would”, “annualized” and “outlook”, or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

A number of important factors could cause our actual results to differ materially from those indicated in these forward-looking statements, including those factors identified in “Risk Factors” or “Management’s Discussion and Analysis of Financial Condition and Results of Operations” or the following:

- the geographic concentration of our operations in southeast Pennsylvania, Delaware and south New Jersey;
- current and future business, economic and market conditions in the United States generally or in Pennsylvania in particular;
- the effects of the current low interest rate environment or changes in interest rates on our net interest income, net interest margin, our investments, and our loan originations, loan servicing rights and loans held for sale and our modeling estimates relating to interest rate changes;
- the effects of geopolitical instability, including war, terrorist attacks, and man-made and natural disasters;
- our ability to maintain our reputation;
- our asset quality and any loan charge offs;
- our ability to attract and retain customer deposits;
- our ability to achieve organic loan and deposit growth and the composition of such growth;
- the composition of our loan portfolio;
- time and effort necessary to resolve nonperforming assets;
- our ability to attract and retain skilled employees or changes in our management personnel;
- our ability to effectively compete with other financial services companies and the effects of competition in the financial services industry on our business;
- our ability to successfully develop and commercialize new or enhanced products and services;
- changes in the demand for our products and services;

- the effectiveness of our risk management and internal disclosure controls and procedures;
- any failure or interruption of our information and communications systems;
- our ability to identify and address cybersecurity risks;
- our ability to keep pace with technological changes;
- the effects of problems encountered by other financial institutions;
- our access to sources of liquidity and capital to address our liquidity needs;
- fluctuations in the values of our assets and liabilities and off balance sheet exposures;
- the effects of the failure of any component of our business infrastructure provided by a third party;
- the impact of, and changes in applicable laws, regulations and accounting standards and policies;
- possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations;
- our likelihood of success in, and the impact of, legal, regulatory or other actions, investigations or proceedings relating to our business or the operations of our predecessor;
- environmental liability associated with our lending activities;
- market perceptions associated with certain aspects of our business;
- possible impairment of our goodwill and other intangible assets, or any adjustment of the valuation of our deferred tax assets;
- changes in the scope and cost of FDIC deposit insurance premiums;
- the one time and incremental costs of operating as a standalone public company;
- our ability to meet our obligations as a public company, including our obligations under Section 404 of Sarbanes Oxley; and
- damage to our reputation from any of the factors described above, in “Risk Factors” or in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

The foregoing factors should not be considered an exhaustive list and should be read together with the other cautionary statements included in this offering circular. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of our common stock in this offering will be approximately $[•] million, or approximately $[•] million if the underwriters elect to exercise in full their option to purchase additional shares from us, after deducting underwriting discounts and commissions and estimated offering expenses, based on an assumed public offering price of $[•] per share, which is the midpoint of the price range set forth on the cover of this offering circular. Each $1.00 increase or decrease in the assumed public offering price of $[•] per share would increase or decrease the net proceeds to us from this offering by approximately $[•] million (or approximately $[•] million if the underwriters exercise their purchase option in full). We intend to use the net proceeds from this offering to repurchase all outstanding shares of our Series 2009A Preferred Stock, Series 2009B Preferred Stock, and Series 2009C Preferred Stock for approximately $12.8 million and for general corporate purposes.

DIVIDEND POLICY AND DIVIDENDS

We do not intend to pay cash dividends on our common stock in the near-term. Instead, we anticipate that all of our future earnings will be retained to support our operations and to finance the growth and development of our business. Any future determination relating to our dividend policy will be made by our board of directors and will depend on a number of factors, including: (1) our historic and projected financial condition, liquidity and results of operations, (2) our capital levels and needs, (3) tax considerations, (4) any acquisitions or potential acquisitions that we may examine, (5) statutory and regulatory prohibitions and other limitations, (6) the terms of any credit agreements or other borrowing arrangements that restrict our ability to pay cash dividends, (7) general economic conditions and (8) other factors deemed relevant by our board of directors. We are not obligated to pay dividends on our common stock and are subject to restrictions on paying dividends on our common stock.

As a Pennsylvania banking institution, we are subject to certain restrictions on dividends under the Pennsylvania Banking Code of 1965 (the "Pennsylvania Banking Code"). Generally, a Pennsylvania banking institution may only pay dividends either out of "surplus" or out of the current or the immediately preceding year's net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a Pennsylvania banking institution's assets can be measured in a number of ways and may not necessarily equal their book value.

In addition, we are subject to certain restrictions on the payment of cash dividends as a result of banking laws, regulations and policies, including after the formation of the holding company. See "Supervision and Regulation—Dividends".

HOLDING COMPANY FORMATION

In May 2017, shareholders of Meridian Bank approved and adopted the Plan of Merger and Reorganization among Meridian Bank, Meridian Interim Bank and Meridian Corporation, whereby, among other things, Meridian Bank will merge with and into Meridian Interim Bank and become a wholly owned subsidiary of Meridian Corporation, with shareholders of Meridian Bank receiving one share of Meridian Corporation common stock, par value $1.00 per share, in exchange for each share of common stock of Meridian Bank then owned. As a result, at such time, you will receive shares of the holding company in exchange for your shares of the bank. The transaction will be conducted according to a Plan of Merger and Reorganization attached as **Exhibit A** to this offering circular, which we call the Plan of Merger in this offering circular.

We have submitted an application to each of the Federal Reserve and the PDBS for approval of this holding company formation transaction, but, as of the date hereof, our applications have not yet been approved. We anticipate completing this transaction after completion of this offering. No assurance can be given that the Federal Reserve and the PDBS will approve the holding company formation and transaction, do so in a timely manner or will not impose conditions on such transaction that would have an adverse effect on us or the benefits to us contemplated by such transaction. Our board of directors has the right to withdraw or postpone the transaction for any reason even if we receive all of these other approvals.

The transaction will involve several steps:

(1) We have formed a new Pennsylvania business corporation named Meridian Corporation (also called the holding company) as a direct, wholly-owned subsidiary of the bank.

(2) We have applied to the applicable banking regulators for permission to form a new Pennsylvania commercial bank subsidiary of the holding company, to be named Meridian Interim Bank (also called merger sub).

(3) We and the merger sub have applied to the applicable banking regulators for permission for the bank to merge into merger sub according to the Plan of Merger attached to this offering circular as **Exhibit A**. As a result of that merger, the holding company will automatically become the holding company for and the sole shareholder of the resulting bank.

(4) After we receive all necessary regulatory approvals, we will complete the transaction according to the Plan of Merger, as follows:

- The bank will merge with merger sub, with the merger sub surviving.
- The merger sub will immediately change its name to “Meridian Bank”.
- Holders of our common stock will receive one share of the holding company common stock in exchange for each share of the bank’s common stock that they hold, and, as a result, our shareholders will become the shareholders of the holding company.
- Upon this exchange of shares, the holding company will become the sole shareholder and holding company for the bank.
- The holding company will assume our obligations under our Meridian Bank 2016 Stock Option Plan and all outstanding options we have granted under our equity incentive plans for the purchase of Bank shares. As a result, these awards will automatically become options to purchase the same number of the holding company shares.

We currently believe that the transaction should have no material impact on how we conduct our day-to-day operations. Forming a holding company may allow us to conduct some activities the bank could not conduct on its own, or it may allow us to make some acquisitions the bank could not otherwise make.

The transaction will not dilute your economic interest in the bank. Immediately after the transaction, the number of outstanding shares of common stock of the holding company will be the same as the number of outstanding shares of common stock of the bank immediately before consummation of the transaction.

Your rights under the Pennsylvania Business Corporation Law as a holder of shares of common stock of the holding company will differ from your current rights under Pennsylvania Banking Code. We summarize the material changes in your rights as a shareholder resulting from the transaction under "Comparison of Rights of Shareholders."

CAPITALIZATION

The following table shows our capitalization, including regulatory capital ratios, on a consolidated basis, as of June 30, 2017, on an as adjusted basis after giving effect to:

- the net proceeds from the sale by us of our common stock in this offering (assuming the underwriters do not exercise their option to purchase additional shares from us), after deducting underwriting discounts and commissions and estimated offering expenses, at an assumed public offering price of $[●] per share, which is the midpoint of the price range set forth on the cover of this offering circular; and

- the repurchase of all of our outstanding Series 2009A Preferred Stock, Series 2009B Preferred Stock, and Series 2009C Preferred Stock at an aggregate purchase price of $12.8 million.

You should read the following table in conjunction with the sections titled "Use of Proceeds", "Summary Historical Consolidated Financial and Operating Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes appearing elsewhere in this offering circular.

	At June 30, 2017	As Adjusted(1)
	(dollars in thousands)	
Cash and cash equivalents	$ 10,349	$
Debt:		
Short-Term Borrowings		
Short-term borrowings	116,842	
Long-Term Borrowings		
Long-term debt	12,975	
Subordinated debentures	13,376	
Total long-term borrowings	26,351	
Stockholders' Equity		
Preferred stock, liquidation preference $1,000 per share (5,000,000 shares authorized, 12,845 shares of preferred stock issued and outstanding)	12,845	—
Common stock, par value $1.00 per share (10,000,000 shares authorized, 3,686,405 and [●] shares outstanding on an actual and adjusted basis, respectively)	3,686	
Surplus	39,986	
Retained earnings	14,622	14,622
Accumulated other comprehensive loss, net of tax	(1)	(1)
Total stockholders' equity	71,138	
Capital Ratios		
Common equity Tier 1 capital ratio	7.57%	
Tier 1 risk-based capital ratio	9.39%	
Total risk-based capital ratio	12.21%	
Tier 1 leverage ratio	8.85%	

(1) A $1.00 increase (decrease) in the assumed public offering price of $[●] per share would increase (decrease) the as adjusted amount of each of common stock, total stockholders' equity and total capitalization by approximately $[●] million, assuming no change to the number of shares offered by us as set forth on the cover of this offering circular, and after deducting underwriting discounts and estimated offering expenses.

DILUTION

If you invest in our common stock, your ownership interest will be diluted to the extent that the initial public offering price per share of our common stock exceeds the tangible book value per share of our common stock immediately following this offering. Tangible book value per common share is equal to our total stockholders' equity, less intangible assets and value attributable to our outstanding preferred stock, divided by the number of common shares outstanding. The tangible book value of our common stock as of June 30, 2017 was $52.7 million, or $14.27 per share.

After giving further effect to our sale of [●] shares of common stock in this offering (assuming the underwriters do not exercise their option to purchase additional shares from us), and after deducting underwriting discounts and commissions and estimated offering expenses, at an assumed public offering price of $[●] per share, which is the midpoint of the price range set forth on the cover of this offering circular, the pro forma tangible book value of our common stock at June 30, 2017 would have been approximately $[●] million, or $[●] per share. Therefore, using these assumptions, this offering will result in an immediate increase of $[●] in the tangible book value per share of our common stock of existing shareholders and an immediate dilution of $[●] in the tangible book value per share of our common stock to investors purchasing shares in this offering, or approximately [●]% of the assumed public offering price of $[●] per share.

If the underwriters' option to purchase additional shares from us is exercised in full, the pro forma as adjusted amount of each of cash and cash equivalents, additional paid-in capital, stockholders' equity and total capitalization would increase by approximately $[●] million, after deducting underwriting discounts and commissions and estimated offering expenses, at the assumed public offering price of $[●] per share.

The following table illustrates the calculation of the amount of dilution per share that a purchaser of our common stock in this offering will incur given the assumptions above:

Assumed public offering price per share		$[____]
Tangible book value per common share at June 30, 2017	$ 14.27	
Increase in net tangible book value per common share attributable to new investors	$[____]	
Pro forma tangible book value per common share upon completion of the offering		$[____]
Dilution per common share to new investors from offering		$[____]

A $1.00 increase (decrease) in the assumed public offering price of $[●] per share, which is the midpoint of the price range on the cover of this offering circular, would increase (decrease) our net tangible book value by $[●] million, or $[●] per share, and the dilution to new investors would be $[●] per share, assuming no change to the number of shares offered by us as set forth on the cover of this offering circular, and after deducting underwriting discounts and estimated offering expenses.

The following table summarizes, as of June 30, 2017, the number of shares of common stock, the total consideration paid to us and the average price paid per share by existing shareholders and investors purchasing common stock in this offering, and the sale of the common stock offered hereby, at the assumed public offering price of $[●] per share (assuming the underwriters do not exercise their option to purchase additional shares from us) before deducting underwriting discounts and estimated offering expenses.

	Shares Purchased		Total Consideration (Dollars in thousands)		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing shareholders as of June 30, 2017	3,686,405	[____]%	$43,672	[____]%	$11.85
New investors for this offering	[_________]	[____]%	[______]	[____]%	$[____]
Total	[_________]	100.0%	$[______]	100.0%	$[____]

The table above excludes shares of our common stock reserved for issuance under our equity incentive plans. To the extent that other equity awards are issued under our 2016 Stock Option Plan, investors participating in this offering will experience further dilution.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the "Summary Historical Consolidated Financial Information", and our financial statements and related notes thereto included elsewhere in this offering circular. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors". We assume no obligation to update any of these forward-looking statements.

Overview

Our business

Meridian Bank was incorporated on March 16, 2004 under the laws of the Commonwealth of Pennsylvania and is a Pennsylvania banking institution. We commenced operations on July 8, 2004 and are a full-service bank providing personal and business lending and deposit services. As a state-chartered bank, we are subject to the regulation of the PDBS and the FDIC. The area served by the bank is primarily southeastern Pennsylvania, Delaware and south New Jersey. We operate three wholly-owned subsidiaries: Meridian Land Settlement Services, LLC, which provides services as agent to real estate title insurance companies and their customers, Apex Realty, LLC, which acquires, holds and disposes of real estate acquired through foreclosure, and Meridian Wealth Partners, LLC, which provides investment advisory services.

Critical Accounting Policies and Estimates

Our accounting and reporting policies conform to GAAP and conform to general practices within the industry in which we operate. To prepare financial statements in conformity with GAAP, management makes estimates, assumptions and judgments based on available information. These estimates, assumptions and judgments affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgements are based on information available as of the date of the financial statements and, as this information changes, actual results could differ from the estimates, assumptions and judgments reflected in the financial statements. In particular, management has identified 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.

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

The following is a discussion of the critical accounting policies and significant estimates that require us to make complex and subjective judgments. Additional information about these policies can be found in Note 1 of Meridian's Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015.

Provision and allowance for loan and lease losses

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

The ALLL is maintained at a level that management believes is appropriate to provide for incurred loan and lease losses as of the date of the Consolidated Statements of Financial Condition and we have established methodologies for the determination of its adequacy. The methodologies are set forth in a formal policy and take into consideration the need for an overall general allowance as well as specific allowances that are determined on an individual loan basis for impaired loans. We increase our ALLL by charging provisions for losses against our income and decreased by charge-offs, net of recoveries.

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

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

Goodwill and Intangible Assets

We account for business combinations under the acquisition method of accounting in accordance with ASC 805.

We completed an acquisitions that resulted in our recording of intangible assets. These intangible assets primarily consist of customer relationships, trade name, non-compete arrangements and goodwill. We allocate the fair value of purchase consideration to the assets acquired based on their fair values at the acquisition date. The excess of the fair value of consideration transferred over the fair value of the net assets acquired is recorded as goodwill. Goodwill is generally attributable to the value of the synergies between the combined companies, which does not qualify for recognition as an intangible asset.

Valuation of the intangible assets acquired is generally based on the estimated cash flows related to those assets, while the initial value assigned to goodwill is the residual of the purchase price over the fair value of all identifiable assets acquired and liabilities assumed. The most significant other intangible asset is the customer relationship intangible In order to initially record the fair value of the customer relationship intangible asset, the income approach is used. Estimates are based upon the present value of the operating cash flows generated by existing customer relationships after taking into account the cost to realize the revenue, and an appropriate discount rate to reflect the time value and risk associated with the invested capital. Useful lives are determined based on the expected future period of the benefit of the asset.

Goodwill is not amortized but is periodically evaluated for impairment under the provisions of ASC Topic 350, *Intangibles—Goodwill and Other* ("ASC 350").Impairment testing is performed using either a qualitative or quantitative approach at the reporting unit level. Our goodwill is allocated to the banking unit, which is our only applicable reporting unit for the purposes of testing goodwill for impairment. We will perform the annual goodwill impairment test during the 4th quarter of each year. Additionally, we perform a goodwill impairment evaluation on an interim basis when events or circumstances indicate impairment potentially exists.

For other identifiable intangible assets, changes in the useful life or economic value of acquired assets may require a reduction in the asset value and a related charge in the statement of income. Such changes in asset value could result from a change in market demand for the products or services offered by an acquired business or by reductions in the expected profit margins that can be obtained through the future delivery of the acquired product or service line.

We consider our accounting policies on goodwill and other intangible assets to be critical because they require us to make significant judgments, particularly with respect to estimating the fair value of reporting units and the other intangible assets The estimates utilize historical data, projected cash flows, and market and industry data specific to each reporting unit or intangible asset.

Fair value of financial instruments

ASC Topic 820, *Fair Value Measurement* ("ASC 820") defines fair value as the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date.

The degree of management judgment involved in determining the fair value of assets and liabilities is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not available, management judgment is necessary to estimate fair value. In addition, changes in market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, the Company would use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement.

See Note 17 of Meridian's Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015 for a complete discussion on our use of fair value of financial assets and liabilities and their related measurement practices.

Recently Issued Accounting Pronouncements

For a discussion of the expected impact of accounting pronouncements recently issued but not adopted by us as of December 31, 2016, see Note 20 of Meridian's Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015.

Executive Summary – Period Ended June 30, 2017

The following items highlight Meridian's results of operations for the six months ended June 30, 2017, as compared to the same period in 2016, and the changes in its financial condition as of June 30, 2017 as compared to December 31, 2016. More detailed information related to these highlights can be found in the sections that follow.

Changes in Financial Condition

- Total assets of $780.7 million as of June 30, 2017 increased $47.0 million from $733.7 million at December 31, 2016.

- Stockholders' equity of $71.1 million as of June 30, 2017 increased $1.2 million from $69.9 million as of December 31, 2016.

- Total portfolio loans and leases as of June 30, 2017 were $648.4 million, an increase of $44.1 million from the December 31, 2016 balance.

- Total non-performing loans and leases of $4.2 million represented 0.61% of portfolio loans and leases as of June 30, 2017 as compared to $5.3 million, or 0.83% of portfolio loans and leases as of December 31, 2016.

- The $6.2 million allowance for loan loss, as of June 30, 2017, represented 0.96% of portfolio loans and leases, as compared to $5.4 million, or 0.90% of portfolio loans and leases as of December 31, 2016.

- Total deposits of $560.0 million as of June 30, 2017 increased $32.4 million from $527.1 million as of December 31, 2016.

Six Month Results of Operations

- Net income for the six months ended June 30, 2017 was $1.3 million, a decrease of $977 thousand compared to net income of $2.3 million for the same period in 2016.

- Tax-equivalent net interest income increased $2.0 million, or 13.6%, to $16.7 million for the six months ended June 30, 2017, as compared to $14.7 million for the same period in 2016.

- The provision for loan losses of $780 thousand for the six months ended June 30, 2017 was an increase of $473 thousand from $307 thousand for the same period in 2016.

- Non-interest income of $17.1 million for the six months ended June 30, 2017 was a $1.6 million decrease from the same period in 2016.

- Mortgage fee revenue of $15.2 for the six months ended June 30, 2017 represented a decrease of $2.5 million from $17.7 million for the same period in 2016.

- Non-interest expense of $28.0 million for the six months ended June 30, 2017 increased $1.0 million from $27.0 million for the same period in 2016.

Results of Operations

Summary

Net income for the six month period ended June 30, 2017 was $1.3 million compared to $2.3 million for the same period in 2016. The comparability of the results of operations for the six month period ended June 30, 2017 compared to the same period in 2016, in general, have been impacted by significantly lower levels of profitability in mortgage division in 2017. As shown in the consolidating income table below, operating income before taxes from the mortgage division decreased $1.6 million due to lower levels of originations.

	Six Months Ended June 30, 2017				Six Months Ended June 30, 2016		
	Bank	**Mortgage**	**Consolidated**		**Bank**	**Mortgage**	**Consolidated**
				(dollars in thousands)			
Net interest income	$13,581	$182	$13,763		$11,788	$449	$12,237
Provision for possible loan losses	(780)		(780)		(307)		(307)
Net interest income after provision	12,801	182	12,983		11,481	449	11,930
Non-interest income							
Fees and other	533	191	724		399	-	399
Wealth management	972	-	972		157	-	157
Mortgage banking income, net of hedging costs and fair value adjustments	-	14,237	14,237		-	17,211	17,211
Mortgage fees	-	1,027	1,027		-	848	848
BOLI income	111	-	111		63	-	63
Total non-interest income	1,616	15,455	17,071	619	18,059	18,678	18,679

Non-interest expense							
Salaries and employee benefits	7,082	12,341	19,423		6,053	12,227	18,280
Loan expenses	412	1,596	2,008		127	2,996	3,123
Occupancy and equipment	1,116	710	1,826		625	755	1,380
Professional services	669	234	903		474	132	606
Other	2,792	1,091	3,883		2,467	1,169	3,636
Total non-interest expense	12,071	15,972	28,043	9,74 6	17,279	27,025	27,024
Income (loss) before income taxes	**2,346**	**(335)**	**2,011**		**2,354**	**1,229**	**3,583**
Income taxes (benefit)	**740**	**(75)**	**665**		**774**	**486**	**1,260**
Net income (loss)	**$ 1,606**	**$ (260)**	**$ 1,346**		**$ 1,580**	**$ 743**	**$ 2,323**

The $977 thousand decrease in net income during the six month period ended June 30, 2017 compared to the six month period ended June 30, 2016 was primarily attributable to a $1.6 million decrease in non-interest income (due to lower levels of fees from mortgage sales), an increase in the provision for loan losses of $473 thousand, and a $1.0 million increase in non-interest expense (primarily due to increased salary and employee benefits, occupancy, professional services and business development expense), partially offset by a $1.5 million increase in net interest income and $595 thousand decrease in income tax expense.

Net Interest Income

Meridian's earnings performance is primarily dependent upon its level of net interest income, which is the excess of income earned on interest-earning assets over expense incurred on interest-bearing liabilities. Interest income includes interest earned on loans, investments and federal funds sold and interest-earning cash, as well as loan fees and dividend income earned on investment securities. Interest expense reflects interest paid on deposits and borrowings, which includes FHLB advances, federal funds purchased, subordinated debentures and notes, and other borrowings.

Net interest income for the six months ended June 30, 2017 was $13.8 million, compared to $12.2 million for the same period in 2016. Interest income for the six month period ended June 30, 2017 was $16.7 million, compared to $14.7 million for the same period in 2016. The $2.0 million increase in interest income for the six months ended June 30, 2017 compared to the same period in 2016 was primarily due to a $107.9 million increase in total average loans held for investment partially offset by a decrease of $36.5 million in total average loans held for sale which contributed a combined $1.9 million increase in interest income. In addition, the overall yield on earning assets rose 8 basis points, driven by an 11 basis point increase on the yield on loans available for sale, partially offset by a decrease in the yield on loans held for investment.

Average Balances, Rates, and Interest Income and Expense on a Tax Equivalent Basis

For the Six Months Ended June 30,	2017			2016		
(dollars in 000s)	Average Outstanding Balance	Interest Earned/ Interest Paid	Yields/ rates	Average Outstanding Balance	Interest Earned/ Interest Paid	Yields/ rates
Assets						
Interest-earning assets						
Interest-bearing cash	$ 12,716	$ 38	0.60%	$ 12,952	$ 34	0.53%
Federal funds sold	780	3	0.78%	1,118	2	0.36%
Investment securities[(1)]	48,892	534	2.20%	43,019	460	2.15%
Loans held for sale	25,676	500	3.89%	62,166	1,177	3.79%
Loans held for investment	622,507	15,731	5.07%	514,527	13,129	5.10%
Total loans	648,183	16,231	5.02%	576,693	14,306	4.96%
Total interest-earning assets	710,571	16,806	4.74%	633,782	14,802	4.67%
Non-interest earning assets	27,075			17,538		
Total assets	$ 737,646			$ 651,320		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing deposits	73,291	169	0.46%	77,657	157	0.41%
Money market and savings deposits	208,375	857	0.83%	187,107	686	0.74%
Time deposits	171,915	846	0.99%	196,767	886	0.91%
Total deposits	453,581	1,872	0.83%	461,531	1,729	0.75%
Borrowings	97,958	604	1.24%	49,640	288	1.17%
Subordinated Debentures	13,376	481	7.25%	13,445	484	7.24%
Total interest-bearing liabilities	564,915	2,957	1.06%	524,616	2,501	0.96%
Non-interest-bearing deposits	97,673			61,326		
Other noninterest-bearing liabilities	5,846			4,868		
Total liabilities	668,434			590,810		
Total stockholders' equity	69,212			60,510		
Total liabilities and stockholders' equity	$ 737,646			$ 651,320		
Net interest income		$ 13,849			$ 12,301	
Net interest spread			3.69%			3.71%
Net interest margin			3.93%			3.90%

(1) Yields and net interest income reflected are tax-effected.

Rate/Volume Analysis	For the six months ended June 30, 2017 as compared to June 30, 2016 Change in interest due to:		
(dollars in 000s)	Rate	Volume	Total
Cash	$ 6	$ (2)	$ 4
Federal funds sold	3	(2)	1
Securities[(1)]	11	63	74
Loans held for sale	385	(1,062)	(677)
Loans held for investment	(166)	2,768	2,602
Total interest-earning assets	239	1,765	2,004
Deposits:			
Interest checking	34	(22)	12
Money market accounts	90	81	171
Time deposits	177	(217)	(40)
Total	301	(158)	143
Borrowings	20	296	316
Subordinated debentures	2	(5)	(3)
Total interest-bearing liabilities	323	133	456
Net interest income	$ (84)	$1,632	$1,548

(1) Yields and net interest income reflected are tax-effected.

Interest on loans was $16.2 million for the six month period ended June 30, 2017, compared to $14.3 million for the same period in 2016. The average balance of loans was $648.2 million with an average yield of 5.02% for the six months ended June 30, 2017, compared to $576.7 million with an average yield of 4.96% for the same period in 2016. The significant increases in average balances related to portfolio increases in commercial, commercial real estate and construction loans as the Meridian commercial lending team pursued market share through a focused mission (which included increased business development efforts and new hires) to capitalize on market dislocation. The modest increase in the overall yield was attributable to the rising rate environment, as 47.1% of the loan portfolio held for investment as of June 30, 2017 reprices in three months or less.

Interest on investment securities and cash and cash equivalents was $496 thousand for the six month period ended June 30, 2017, compared to $430 thousand for the same period in 2016. The average balance of investment securities was $48.9 million with a tax equivalent average yield of 2.20% for the six months ended June 30, 2017, compared to $43.0 million with a tax equivalent average yield of 2.15% for the same period in 2016. The average balance of cash and cash equivalents was $13.5 million with a tax equivalent average yield of 0.61% for the six month period ended June 30, 2017, compared to $14.1 million with a tax equivalent average yield of 0.51% for the same period in 2016.

Interest on deposits was $1.9 million for the six month period ended June 30, 2017, compared to $1.7 million for the same period in 2016. The average balance of deposits was $453.6 million with an average rate of 0.83% for the six months ended June 30, 2017, compared to $461.5 million with an average rate of 0.75% for the same period in 2016. The decreases in average balance of interest-bearing deposits is attributable to the increase in non-interest bearing deposits which rose $36.3 million period over period. The increase in average rate was attributable to the 75 basis points increase in the federal funds rate, which has impacted the rates Meridian pays on the majority of its non-maturity deposit accounts.

Interest on borrowings was $1.1 million for the six month period ended June 30, 2017, compared to $771 thousand for the same period in 2016. The average balance of borrowings was $111.3 million with an average rate of 1.97% for the six months ended June 30, 2017, compared to $63.1 million with an average rate of 2.46% for the same period in 2016.

Provision for Credit Losses

To provide for known and inherent losses in the loan portfolios, Meridian maintains an allowance for loan losses. The allowance for loan losses ("ALLL" or the "allowance") is maintained, at a level considered adequate, to provide for losses that are probable as of the balance sheet date. Provisions for loan losses are charged against income to increase the allowance when necessary. Loan losses are charged directly against the allowance and recoveries on previously charged-off loans are added to the allowance. Management's evaluation of the adequacy of the allowance is based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors.

Management reviews and establishes the adequacy of the allowance for loan losses in accordance with U.S. generally accepted accounting principles. Its methodology for assessing the appropriateness of the allowance consists of several key elements which include: specific allowances for identified impaired loans; and allowances by loan type for pooled homogenous loans. In considering national and local economic trends, we review a variety of information including Federal Reserve publications, general economic statistics, foreclosure rates and housing statistics published by third parties. We believe this improves the measure of inherent loss over a complete economic cycle and reduces the impact for qualitative adjustments.

We establish a general allowance on loans which are not individually impaired. In establishing the general valuation allowance, we segregate these loans by type and category. The categories used by Meridian include "pass," "watch," "special mention," "substandard" and "doubtful." For commercial mortgage, commercial and construction loans, the determination of the category for each loan is based on periodic reviews of each loan by our lending and credit officers as well as an independent, third-party consultant. The reviews include a consideration of such factors as recent payment history, current financial data, cash flow, financial projections, collateral evaluations, guarantor or sponsorship financial strength and current economic and business conditions. Categories for residential mortgage and consumer loans are determined through a similar review. Classification of a loan within a category is based on identified weaknesses that increase the credit risk of loss on the loan. Each category carries a loss factor for the allowance percentage to be assigned to the loans within that category. The allowance percentage, is determined based on inherent losses associated with each type of lending as determined through consideration of our loss history with each type of loan, trends in credit quality and collateral values, and an evaluation of current economic and business conditions.

To account for current economic conditions representative of the current business cycle, Meridian uses an annualized loss history by portfolio extending back to the beginning of the current business cycle. For Meridian Bank, the business cycle began in the first quarter of 2010 as Meridian began to experience the effects of the 2009 economic crisis. Loan loss history is evaluated over a look-back period based on overall economic conditions and their impact on the bank. For homogeneous loan pools which Meridian does not have sufficient loss history, we use peer data to evaluate loss history using the same look-back period.

This analysis is intended to assess the potential for loss within the loan portfolio and to substantiate the adequacy of the allowance. Should the analysis indicate that the allowance is not adequate, management will record a provision expense be made in an amount equal to the shortfall derived. Management believes that the following factors create a comprehensive analysis in which management can monitor the quality of the loan portfolio. Consideration has been given to the following factors and variables which may influence the risk of loss within the loan portfolio:

- changes in the nature and volume of the portfolio and in the terms of loans;

- changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;

- the existence and effect of any concentrations of credit, and changes in the level of such concentrations;

- changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;

- changes in the experience, ability, and depth of lending management and other relevant staff;

- changes in loan review methodology and degree of oversight by Meridian's board of directors;

- changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;

- the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio; and

- changes in the value of underlying collateral for collateral dependent loans.

Portfolio risk includes the levels and trends in delinquencies, impaired loans, changes in loan ratings and trends in volume and nature of loans. In addition to updating appraisals as necessary and creating specific reserves on impaired loans, loss emergence periods by portfolio segment were updated in 2017, and we believe are appropriate for Meridian Bank and in-line with industry standards.

Given the volatility in real estate values, Meridian Bank closely monitors the loan to value ratios of all classified assets and requires periodic current appraisals to monitor underlying collateral values. Management also reviews borrower and guarantor's financial strength along with their ability and willingness to provide financial support of their obligations on an immediate and continuing basis.

A $780 thousand provision was made during the six month period ended June 30, 2017, compared to $307 thousand for the same period in 2016. The $780 thousand provision was the result of several factors, including $44.1 million in new loans originated during the six months ended June 30, 2017. Additionally, management refined the allowance methodology, which included lengthening the period used to determine historical loss factors and implementing a quantitative framework for certain considerations that were previously included in qualitative factors. This refinement contributed to the higher provision for the six month period ended June 30, 2017. Meridian's percentage of allowance for loan losses to total loans was 0.91% at June 30, 2017 compared to 0.84% and 0.82% at December 31, 2016 and June 30, 2016, respectively. The increase in this ratio from 0.81% at June 30, 2016 to 0.91% at June 30, 2017 was primarily due to the factors listed above. Net charge-offs were negative $9 thousand during the six months ended June 30, 2017, compared to $1.1 million, and $361 thousand during the year ended December 31, 2016, and six months ended June 30, 2016, respectively. The percentage of net charge-offs to total average loans were 0.00%, 0.17%, and 0.06% for those same respective periods. Management believes that the allowance for credit losses is adequate, but continues to monitor it along with other performance metrics including those ratios related to non-performing loans. Management is not aware of any potential problem loans, which were accruing and current at June 30, 2017, where serious doubt exists as to the ability of the borrower to comply with the present repayment terms and that would result in a significant loss to Meridian Bank. Non-performing loans decreased by $1.1 million during the six month period ended June 30, 2017 to $4.2 million. The ratio of the allowance for credit losses as a percentage of loans reflects management's estimate of the level of inherent losses in the portfolio.

We typically establish a general valuation allowance on loans which are not individually impaired. In establishing the general valuation allowance, we segregate these loans by type and category. The categories used by Meridian include "pass," "watch," "special mention," "substandard" and "doubtful." For commercial mortgage, commercial and construction loans, the determination of the category for each loan is based on periodic reviews of each loan by our lending and credit officers as well as an independent, third-party consultant. The reviews include a consideration of such factors as recent payment history, current financial data, cash flow, financial projections, collateral evaluations, guarantor or sponsorship financial strength and current economic and business conditions. Categories for residential mortgage and consumer loans are determined through a similar review. Classification of a loan within a category is based on identified weaknesses that increase the credit risk of loss on the loan. Each category carries a loss factor for the allowance percentage to be assigned to the loans within that category. The allowance percentage, is determined based on inherent losses associated with each type of lending as determined through consideration of our loss history with each type of loan, trends in credit quality and collateral values, and an evaluation of current economic and business conditions.

As of June 30, 2017, Meridian had $4.2 million of non-performing loans. This compares to $5.3 million at December 31, 2016. Loans are reviewed for impairment in accordance with FASB ASC 310-10-35. Impaired loans can be either secured or unsecured. Impairment is measured by the difference between the loan amount and the present value of the future cash flow discounted at the loan's effective interest rate. Management measures loans for impairment by using the fair value of collateral for collateral dependent loans. In general, management reduces the amount of the appraisal by the estimated cost of acquisition and disposition of the underlying collateral and compares that adjusted value with Meridian's carrying value. Meridian establishes a specific valuation allowance on impaired loans that have a collateral shortfall and/or cash flow shortfalls, including estimated costs to sell in comparison to the carrying value of the loan. Of the $9.0 million of loans evaluated for impairment, of which $3.9 million were non-performing loans and $2.2 million were performing TDRs, at June 30, 2017, $313 thousand had valuation allowances of $59 thousand and $8.7 million had no specific allowance. Of the $6.4 million of loans evaluated for impairment at December 31, 2016, $1.4 million had valuation allowances of $321 thousand and $5.0 million had no specific allowance. For those impaired loans that management determined that no specific valuation allowance was necessary, management has reviewed the present value of the future cash flows or the appraisal for each loan and determined that no valuation was necessary. During the six-months ended June 30, 2017, Meridian recognized $192 thousand in total charge-offs, all of which related to impaired loans. An impaired loan may not represent an actual future loss.

We typically order new third-party appraisals or collateral valuations when a loan becomes impaired or is transferred to other real estate owned ("OREO"). This is done as soon deemed necessary once a loan has become impaired or a loan has moved to OREO. It generally takes several weeks to receive the appraisals, depending on the type of property being appraised. We recognize a specific reserve within the same reporting period as a loan is determined to be impaired, and recognize a charge-off upon receiving and reviewing an updated appraisal confirming a loss. We generally order a new appraisal for all impaired real estate loans as often as economic circumstances dictate necessary. We use updated valuations when time constraints do not permit a full appraisal process, to reflect rapidly changing market conditions. Because appraisals and updated valuations utilize historical data in reaching valuation conclusions, the appraised or updated value may or may not reflect the actual sales price that we will receive at the time of sale.

Real estate appraisals typically include up to three approaches to value: the sales comparison approach, the income approach (for income-producing property) and the cost approach. Not all appraisals utilize all three approaches to value. Depending on the nature of the collateral and market conditions, the appraiser may emphasize one approach over another in determining the fair value of collateral.

In connection with the valuation process, we will typically develop an exit strategy for the collateral by assessing overall market conditions, the current condition and use of the asset and its highest and best use. For most income-producing real estate, investors value most highly a stable income stream from the asset; consequently, we conduct a comparative evaluation to determine whether conducting a sale on an "as-is" basis or on an "as-stabilized" basis is most likely to produce the highest net realizable value and compare these values with the costs incurred and the holding period necessary to achieve the "as stabilized" value.

Our estimates of the net realizable value of collateral include a deduction for the expected costs to sell the collateral or such other deductions as deemed appropriate. For most real estate collateral, we apply a ten percent deduction to the value of real estate collateral to determine its expected costs to sell the asset.

Non-Interest Income

Non-interest income primarily includes mortgage banking income which consists of net margin earned on residential mortgage loans originated by the mortgage division and sold to investors on the secondary market, and wealth management income which consists of fees received in connection with investment advisory services. Meridian's investment advisory services were offered through Meridian Financial Services until April 5, 2017, and through Meridian Wealth subsequent to April 5, 2017. Also included in non-interest income are changes in the fair value of derivative instruments, loans held for sale, and loans held for investment related to our mortgage banking operations, as well as other sources of income such as increases in the cash surrender value of bank owned life insurance ("BOLI"), net gains on sales of investment securities, loans, SBA loans and OREO properties. In addition, Meridian receives service charges on deposit products.

Non-interest income for the six month period ended June 30, 2017 was $17.1 million, compared to $18.7 million for the same period in 2016. The $1.6 million decrease during the six months ended June 30, 2017 was mainly attributable a decrease of $2.5 million in mortgage banking income, partially offset by an increase of $815 thousand in wealth management income. The decrease in mortgage banking income was the result of a decline in origination volume of $78.4 million period over period, while the increase in wealth management income was the result of the acquisition of HJ Wealth and the formation of Meridian Wealth.

The following table sets forth non-interest income for the six months ended June 30, 2017 and 2016.

(dollars in thousands)	Six Months Ended June 30,	
	2017	**2016**
Non-interest income:		
Mortgage banking income	$ 15,185	$ 17,691
Wealth management income	972	157
Earnings on investment in life insurance	111	63
Net change in the fair value of derivative instruments	388	656
Net change in the fair value of loans held-for-sale	217	217
Net change in the fair value of loans held-for-investment	41	-
Gain on sale of investment securities available-for-sale	4	-
Service charges	40	28
Other	113	(134)
Total non-interest income	$ 17,071	$ 18,678

Non-Interest Expense

Non-interest expense for the six month period ended June 30, 2017 was $28.0 million, compared to $27.0 million for the same period in 2016. During the six months ended June 30, 2017, total non-interest expense increased by $1.0 million. The increase was primarily due to increases of $1.1 million in salary and employee benefits, $446 thousand in occupancy and equipment, $297 thousand in professional fees (mainly legal and consulting fees), $240 thousand in advertising and promotion and $214 thousand in other expenses (mainly software and intangible amortization). These increases were partially offset by decreases of $1.1 million in loan expenses (primarily related to mortgage banking), $187 thousand in the FDIC assessment and $19 thousand in data processing.

The following table sets forth non-interest expense for the six months ended June 30, 2017 and 2016.

(dollars in thousands)	Six Months Ended June 30,	
	2017	**2016**
Non-interest expenses:		

Salaries and employee benefits	$ 19,423	$ 18,280
Occupancy and equipment	1,826	1,380
FDIC assessment	296	483
Professional fees	903	606
Data processing	534	553
Advertising and promotion	940	700
Loan expenses	2,008	3,123
Other	2,113	1,900
Total non-interest income	$ 28,043	$ 27,025

Income Taxes

Income tax expense for six-month period ended June 30, 2017 was $665 thousand, compared to $1.3 million for the same period in 2016. The effective tax rate for the six month period ended June 30, 2017 was 33.1% compared to 35.2% for the same period in 2016. The effective tax rate for the six-month period ended June 30, 2017 decreased to 33.1%, primarily due to a larger percentage of tax exempt income in relation to of our pre-tax income during the first six months of 2017 compared to the first six months of 2016. Income tax expense differs from the amount determined at the statutory rate of 34.0% due to state income taxes owed in states which the bank has nexus, tax-exempt income on loans and investment securities, Meridian's ownership of BOLI policies, tax benefits on the exercise of stock options and tax credits recognized on low-income housing projects.

Recently Issued Accounting Pronouncements

For a discussion of the expected impact of accounting pronouncements recently issued but not adopted by us as of December 31, 2016, see Note 20 of Meridian’s Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015.

Executive Summary – for the year ended December 31, 2016

The following items highlight Meridian’s results of operations for the year ended December 31, 2016, as compared to the same period in 2015, and the changes in its financial condition as of December 31, 2016 as compared to December 31, 2015. More detailed information related to these highlights can be found in the sections that follow.

Changes in Financial Condition

- Total assets of $733.7 million as of December 31, 2016 increased $70.3 million from $663.3 million at December 31, 2015.
- Stockholders’ equity of $69.9 million as of December 31, 2016 increased $17.0 million from $52.9 million as of December 31, 2015.
- Total portfolio loans and leases as of December 31, 2016 were $605.1 million, an increase of $105.0 million from the December 31, 2015 balance.
- Total non-performing loans and leases of $5.3 million represented 0.83% of total loans and leases as of December 31, 2016 as compared to $3.8 million, or 0.58% of total loans and leases as of December 31, 2015.
- The $5.4 million allowance for loan loss, as of December 31, 2016, represented 0.90% of portfolio loans and leases, as compared to $5.3 million, or 1.06% of portfolio loans and leases as of December 31, 2015.
- Total deposits of $527.1 million as of December 31, 2016 increased $36.6 million from $490.6 million as of December 31, 2015.

Results of Operations

- Net income for the year ended December 31, 2016 was $4.9 million, a decrease of $1.3 million compared to net income of $6.2 million for the same period in 2015.

- Tax-equivalent net interest income increased $2.4 million, or 10.3%, to $25.8 million for the year ended December 31, 2016, as compared to $23.4 million for the same period in 2016.

- The provision for loan losses of $1.2 million for the year ended December 31, 2016 was an decrease of $236 thousand from $1.4 million for the same period in 2015.

- Non-interest income of $42.8 million for the year ended December 31, 2016 was a $6.7 million increase from the same period in 2015.

- Mortgage fee revenue of $41.4 for the year ended December 31, 2016 represented an increase of $7.7 million from $33.7 million for the same period in 2015.

- Non-interest expense of $59.9 million for the year ended December 31, 2016 increased $11.3 million, from $48.6 million for the same period in 2015.

Results of Operations

Summary

Net income for the year ended December 31, 2016 was $4.9 million compared to $6.2 million for the same period in 2015. The results of operations for the year ended December 31, 2016 compared to the same period in 2015, in general, were negatively impacted by higher levels of overhead relative to salaries, occupancy and other expenses as well as lower levels of profitability in the mortgage division in 2016. These changes were partially offset by an increase in net interest income at the bank of $2.3 million as well as a $437 thousand increase in non-interest income and a $236 thousand decrease in the provision for loan losses. As shown in the consolidating income table below, net income for the bank decreased $538 thousand year over year and the mortgage division decreased $728 thousand due to increased overhead expenses related to current and anticipated growth.

	The year ended December 31, 2016			The year ended December 31, 2015		
	Bank	**Mortgage**	**Consolidated**	**Bank**	**Mortgage**	**Consolidated**
(Dollars in thousands)						
Net interest income$	$24,868	$ 920	$ 25,788	$ 22,547	$ 844	$ 23,391
Provision for loan losses	(1,198)	-	(1,198)	(1,434)	-	(1,434)
Net interest income after provision	23,670	920	24,590	21,113	844	21,957
Non-interest income						
Fees and other	1,073	1,680	2,753	676	1,181	1,857
Wealth management	425	-	425	386	-	386
Mortgage banking income, net of hedging costs and fair value adjustments	-	37,132	37,132	-	31,372	31,372
Mortgage fees	-	2,409	2,409	-	2,382	2,382
BOLI income	125	-	125	124	-	124
Total non-interest income	1,623	41,221	42,844	1,186	34,935	36,121

Non-interest Expense						
Salaries and employee benefits	11,927	28,925	40,852	9,775	23,236	33,011
Loan expenses	264	6,422	6,686	221	5,389	5,610
Occupancy and equipment	1,445	1,501	2,946	988	1,304	2,292
Professional services	1,378	384	1,762	1,108	344	1,452
Other	5,204	2,463	7,667	4,347	1,930	6,277
Total non-interest expense	20,218	39,695	59,913	16,439	32,203	48,642
Income before income taxes	**5,075**	**2,446**	**7,521**	**5,860**	**3,576**	**9,436**
Income tax expense	**1,651**	**948**	**2,599**	**1,898**	**1,349**	**3,248**
Net income	**$3,424**	**$ 1,498**	**$ 4,922**	**$ 3,962**	**$ 2,226**	**$ 6,188**

Net Interest Income

Meridian’s earnings performance is primarily dependent upon its level of net interest income, which is the excess of income earned on interest-earning assets over expense incurred on interest-bearing liabilities. Interest income includes interest earned on loans, investments and federal funds sold and interest-earning cash, as well as loan fees and dividend income earned on investment securities. Interest expense reflects interest paid on deposits and borrowings, which includes FHLB advances, federal funds purchased, subordinated debentures and notes, and other borrowings.

Net interest income for the year ended December 31, 2016 was $25.8 million, compared to $23.4 million for the same period in 2015. Interest income for the year ended December 31, 2016 was $31.0 million, compared to $28.0 million for the same period in 2015. The $3.0 million or 10.7% increase in interest income for the year ended December 31, 2016 compared to the same period in 2015 was primarily due to a $80.3 million increase in total average earning assets which contributed $3.6 million in interest income partially offset by lower yield on earning assets of 12 basis points which reduced income by $530 thousand. Interest expense for the year ended December 31, 2016 was $5.2 million, compared to $4.6 million for the same period in 2015. The $602 thousand increase in interest expense was attributable to $43.1 million increase in average interest-bearing liabilities along with a 4 basis point increase in cost of funds. The balance of the funding came from non-interest bearing deposits and capital, the average balances of which rose $35.6 million and $15.6 million, respectively, during the period.

	For the year ended December 31, 2016 as compared to the year ended December 31, 2015			For the year ended December 31, 2015 as compared to the year ended December 31, 2014		
	Change in interest due to:			Change in interest due to:		
Dollars in thousands	Rate	Volume	Total	Rate	Volume	Total
Cash	$ 2	$ 5	$ 7	$ 14	$ (8)	$ 6
Federal funds sold	2	1	3	1	(3)	(2)
Securities	(68)	206	138	(91)	170	79
Loans held for sale	(107)	499	392	(112)	762	650
Loans held for investment	(359)	2,871	2,512	(266)	2,275	2,009
	(466)	3,370	2,904	(378)	3,037	2,659
Total interest-earning assets	(530)	3,582	3,052	(454)	3,196	2,742
Deposits						
Interest checking	47	11	58	0	15	15
Money market accounts	13	173	186	6	166	172
Time deposits	214	(93)	121	20	71	91
Total	274	91	365	26	252	278
Borrowings	(33)	264	231	19	76	95
Subordinated debentures	5	0	5	14	453	467
Total interest-bearing liabilities	246	355	601	59	781	840
Net interest income	$ (776)	$3,227	$ 2,451	$ (513)	$ 2,415	$1,902

Interest on loans was $30.1 million for the year ended December 31, 2016, compared to $27.2 million for the same period in 2015. The average balance of loans held for investment was $541.6 million with an average yield of 5.06% for the year ended December 31, 2016, compared to $485.7 million with an average yield of 5.13% for the same period in 2015. The significant increases in average balances related to portfolio increases in commercial, commercial real estate and construction as the Meridian commercial lending team pursued market share through a focused mission (which included increased business development efforts and new hires) to capitalize on market dislocation. In addition, loans for sale increased $13.6 million on average from $71.6 million at December 31, 2016 compared to $57.9 million at December 31, 2015. The yield on loans available for sale dropped 17 basis points on average during the period.

Interest on investment securities and cash and cash equivalents was $863 thousand for the year ended December 31, 2016, compared to $751 thousand for the same period in 2015. The average balance of investment securities was $44.3 million with a tax equivalent average yield of 2.14% for the year ended December 31, 2016, compared to $34.9 million with a tax equivalent average yield of 2.32% for the same period in 2015. The average balance of cash and cash equivalents was $13.2 million with a tax equivalent average yield of 0.49% for the year ended December 31, 2016, compared to $11.9 million with a tax equivalent average yield of 0.48% for the same period in 2015.

Interest on deposits was $3.5 million for the year ended December 31, 2016, compared to $3.1 million for the same period in 2015. The average balance of deposits was $453.1 million with an average rate of 0.77% for the year ended December 31, 2016, compared to $438.1 million with an average rate of 0.71% for the same period in 2015. The increases in average balance of interest-bearing deposits was attributable to the increase in money market accounts which rose $23.1 million over period. This increase was partially offset by a decrease in the average balance of time deposits, which declined $11.1 million during the period. These changes, along with the increase in non-interest bearing deposits, reflects management's effort to increase core deposits and reduce wholesale time deposit funding.

Interest expense was also impacted by the 75 basis points increase in the federal funds rate, which has caused higher funding costs, particularly in time deposits.

Interest on borrowings was $1.7 million for the year ended December 31, 2016, compared to $1.5 million for the same period in 2015. The average balance of borrowings was $94.3 million with an average rate of 1.83% for the year ended December 31, 2016, compared to $66.2 million with an average rate of 2.25% for the same period in 2015.

Average Balances, Rates, and Interest Income and Expense

For the Year Ended December 31,	2016			2015			2104		
(in thousands)	Average Outstanding Balance	Interest Earned/ Interest Paid	Yields/ rates	Average Outstanding Balance	Interest Earned/ Interest Paid	Yields/ rates	Average Outstanding Balance	Interest Earned/ Interest Paid	Yields/ rates
Assets									
Interest-earning assets									
Due from banks	$ 12,328	$ 61	0.49%	$ 11,392	$ 54	0.47%	$ 13,413	$ 48	0.36%
Federal funds sold	877	4	0.46%	520	1	0.19%	1,545	3	0.21%
Investment securities	44,319	947	2.14%	34,863	809	2.32%	27,844	731	2.62%
Loans held for sale	71,562	2,595	3.63%	57,913	2,203	3.80%	38,058	1,553	4.08%
Loans held for investment	541,589	27,539	5.06%	485,659	25,027	5.13%	441,676	23,017	5.19%
Total loans	613,151	30,134	4.89%	543,572	27,230	4.99%	479,734	24,571	5.10%
Total interest-earning assets	670,675	31,146	4.62%	590,347	$ 28,094	4.74%	522,535	$ 25,353	4.83%
Noninterest earning assets	19,625			15,773			18,358		
Total assets	$ 690,300			$ 606,120			$ 540,894		
Liabilities and stockholders' equity									
Interest-bearing liabilities									
Interest-bearing deposits	$ 78,583	$ 332	0.42%	$ 75,604	$ 274	0.36%	$ 71,396	$ 259	0.36%
Money market and savings deposits	179,698	1,345	0.75%	156,623	1,159	0.74%	134,283	987	0.74%
Time deposits	194,818	1,793	0.92%	205,895	1,672	0.81%	197,220	1,582	0.80%
Total deposits	453,099	3,470	0.77%	438,122	3,105	0.71%	402,900	2,828	0.70%
Borrowings	80,848	754	0.93%	52,713	523	0.99%	44,957	428	0.95%
Subordinated Debentures	13,443	968	7.20%	13,445	963	7.16%	7,111	496	6.98%
Total interest-bearing liabilities	547,390	$ 5,192	0.95%	504,280	$ 4,591	0.91%	454,968	3,751	0.82%
Noninterest-bearing liabilities	72,699			49,093			37,856		
Other noninterest-bearing liabilities	6,197			4,312			6,336		
Total liabilities	626,286			$ 557,685			$ 449,160		
Total stockholders' equity	64,024			48,436			41,735		
Total stockholders' equity and liabilities	690,300			$ 606,120			$ 540,894		
Net interest income		$ 25,954			$ 23,503			$ 21,601	
Net interest spread			3.67%			3.83%			4.01%
Net interest margin			3.87%			3.98%			4.13%

Provision for Credit Losses

Meridian established a $1.2 million provision for possible loan losses for the year ended December 31, 2016, compared to $1.4 million the same period in 2015. Meridian's percentage of allowance for loan losses to total loans was 0.91% at December 31, 2016 compared to 0.84% at December 31, 2015. The increase in this ratio was primarily due to a lower level of charge-offs in 2016 compared to 2015. Loan charge-offs were $1.3 million during the year ended December 31, 2016, compared to $1.7 million during the year ended December 31, 2015. Management believes that the allowance for credit losses is adequate, but continues to monitor it along with other performance metrics including those ratios related to non-performing loans. Management is not aware of any potential problem loans, which were accruing and current at December 31, 2016, where serious doubt exists as to the ability of the borrower to comply with the present repayment terms and that would result in a significant loss to Meridian Bank. Non-performing loans increased by $1.5 million during the year ended December 31, 2016. The ratio of the allowance for credit losses as a percentage of loans reflects management's estimate of the level of inherent losses in the portfolio.

As of December 31, 2016, Meridian had $5.3 million of non-performing loans. This compared to $3.8 million at December 31, 2015. Loans are reviewed for impairment in accordance with FASB ASC 310-10-35. Of the $6.4 million of loans evaluated for impairment ($5.3 million of non-performing loans and $1.1 million of performing TDRs) at December 31, 2016, $1.4 million had valuation allowances of $321 thousand and $5.0 million had no specific allowance. Of the $6.0 million of loans evaluated for impairment at December 31, 2015, $2.1 million had valuation allowances of $744 thousand and $3.9 million had no specific allowance. For those impaired loans that management determined that no specific valuation allowance was necessary, management has reviewed the present value of the future cash flows or the appraisal for each loan and determined that no valuation was necessary. During the year ended December 31, 2016, Meridian recognized $1.3 million in total charge-offs, all of which related to impaired loans.

Non-Interest Income

Non-interest income primarily includes mortgage banking income which consists of net margin earned on residential mortgage loans originated by the mortgage division and sold to investors on the secondary market, and wealth management income which consists of fees received in connection with investment advisory services. Meridian's investment advisory services were offered through Meridian Financial Services until April 5, 2017, and through Meridian Wealth subsequent to April 5, 2017. Also included in non-interest income are changes in the fair value of derivative instruments, changes in the fair value of loans held for sale, and changes in the fair value of loans held for investment all of which relate to the Bank's mortgage banking operations. In addition, other sources of non-interest income include service charges on deposit products, fees from title insurance and other miscellaneous services as well as earnings on BOLI, and net gains on sales of investment securities, loans, and OREO properties.

Non-interest income for the years ended December 31, 2016 was $42.8 million, compared to $36.1 million for the same period in 2015. The $6.7 million increase during the year ended December 31, 2016 was mainly attributable to an increase of $7.8 million in mortgage banking income driven by improved pricing of 40 basis points along with an increase in volume of $112 million. This income was partially offset by an aggregate decrease of $1.8 million in fair value changes to loans held for sale and derivative instruments combined.

The following table sets forth non-interest income for the year ended December 31, 2016 and 2015.

(dollars in thousands)	Year Ended December 31,	
	2016	**2015**
Non-interest income		
Mortgage banking income	$ 41,431	$ 33,665
Wealth management income	425	386
Earnings on investment in life insurance	125	124
Net change in the fair value of derivative instruments	(122)	423
Net change in the fair value of loans held-for-sale	(833)	487
Net change in the fair value of loans held-for-investment	30	-
Gain on sale of investment securities available-for-sale	3	(32)
Service charges	66	49
Other	1,719	1,019
Total non-interest income	$ 42,844	$ 36,121

Non-Interest Expense

Non-interest expense for the year ended December 31, 2016 was $59.9 million, compared to $48.6 million for the same period in 2015. The largest component of the $11.3 million increase was in salary and employee benefits, which rose $7.8 million year over year. This cost increased considerably as a result of commission and salary costs for the mortgage division of $5.7 million as well as increased salary and benefits of $2.1 million for the bank. The mortgage division salary commission and salary costs relate to higher levels of mortgage originations in 2016 compared to 2015. The higher levels of salary costs for the bank relate to employees hired in late 2015 and early 2016. The bank hired four IT professionals, six branch personnel/business developers, 11 lending personnel (lenders, credit administration and support) and other support staff in compliance and legal. These new hires were pivotal to the continued execution of our strategic growth plan.

Loan expenses, primarily related to mortgage banking, increased $1.1 million due to increased level of originations. Occupancy and equipment increased $654 thousand year over year due to new branches and locations opening in

2016. Professional fees increased $310 thousand, mainly legal and consulting fees, also related to the expansion. Advertising and promotion and data processing increased $249 thousand and $214 thousand, respectively, due to our growth. Other expenses increased $927 thousand due mainly to software and telecommunication related expense.

The following table sets forth non-interest expense for the year ended December 31, 2016 and 2015.

(dollars in thousands)	Year Ended December 31,	
	2016	2015
Noninterest expenses		
Salaries and employee benefits	$ 40,852	$ 33,011
Occupancy and equipment	2,946	2,292
FDIC assessment	625	912
Professional fees	1,762	1,452
Data processing	1,146	932
Advertising and promotion	1,727	1,478
Loan expenses	6,686	5,610
Other	4,169	2,955
Total non-interest expense	$ 59,913	$ 48,642

Income Taxes

Income tax expense for year ended December 31, 2016 was $2.6 million, compared to $3.2 million for the same period in 2015. The effective tax rate for the year ended December 31, 2016 was 34.5% compared to 34.4% for the same period in 2015. Income tax expense differs from the amount determined at the statutory rate of 34.0% due to state income taxes owed to states in which we have a nexus, tax benefits on the exercise of stock options, tax-exempt income on loans and investment securities, Meridian's ownership of BOLI policies, and credits recognized on low-income housing projects.

Financial Condition Analysis – Period ended June 30, 2017

Meridian’s total assets were $780.7 million at June 30, 2017, compared to $733.7 million at December 31, 2016. The $47.0 million, or 6.4% increase in total assets was primarily attributable to a $43.3 million increase in net loans held for investment, a $6.1 million increase in BOLI, $5.7 million increase in intangibles and other assets partially offset by a $5.0 million decrease in cash and investment securities and a $3.2 million decrease in mortgage loans available for sale.

Cash and Investment Securities. Cash and investment securities were $10.3 million and $51.0 million, respectively, at June 30, 2017 compared to $18.9 and $47.6 million at December 31, 2016. The $3.5 million increase in investment securities was primarily due to $6.1 million in purchases along with $475 thousand in fair value adjustments partially offset by $3.1 million in principal pay-downs, net amortizations and maturities. There were no sales of investment securities during the period. Excess cash on hand at June 30, 2017 was used to fund asset growth.

Loans. Meridian’s loans for investment increased $40.9 million or 6.4% to $684.8 million at June 30, 2017, compared to $643.9 million at December 31, 2016. Total commercial loans increased $7.2 million, commercial real estate loans, including construction, increased $37.4 million while consumer loans, including home equity and residential loans held in portfolio, increased $591 thousand.

Goodwill and Intangible Assets. Goodwill and intangible assets were $5.6 million at June 30, 2017. These assets resulted from the acquisition of HJ Wealth, a Pennsylvania-based wealth management firm that was completed on April 5, 2017. There were no goodwill or intangible assets at December 31, 2016.

Deposits. Deposits were $559.5 million at June 30, 2017, compared to $527.1 million at December 31, 2016. Deposits increased $32.4 million or 6.1% during the six month period ended June 30, 2017. Non-interest bearing deposits, interest checking, money markets and savings accounts, increased by $47.0 million, while time deposits decreased by $14.6 million.

Borrowings. Borrowings were $129.8 million at June 30, 2017, compared to $118.4 million at December 31, 2016. The increase of $11.4 million was comprised of $9.0 million in new overnight advances and Fed funds along with a $2.5 million, 3-year note payable issued in connection with the purchase HJ Wealth, as discussed above.

Stockholders' Equity. Stockholders' equity was $71.1 million at June 30, 2017, compared to $70.0 million at December 31, 2016. The increase in stockholders' equity was primarily a result of year-to-date earnings of $1.3 million, $307 thousand of other comprehensive income along with $100 thousand in share-based awards and exercises, partially offset by $578 thousand of dividends paid on preferred stock.

Investment Securities

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

As of June 30, 2017, the securities in our securities portfolio consisted primarily of municipal bonds issued by state and political subdivisions, mortgage- backed securities backed by GSEs, U.S. government obligations, and other debt securities with varying contractual maturities. Our mortgage- backed securities are comprised of both fixed and floating rate securities. Floating rate securities consist mainly of seasoned ARM collateral that reprices annually. Our other debt securities category is comprised of fixed and floating rate government-sponsored agency collateralized mortgage obligations (CMO's) secured by single-family and multifamily loans. The Board of Directors has delegated authority for the development and implementation of all asset and liability management policies, procedures, and strategies to the Asset/Liability Committee (ALCO). The ALCO reviews our securities portfolio on an ongoing basis to ensure that the investments conform to our investment policy.

The following table sets forth the composition of the investment securities portfolio as of June 30, 2017, and December 31, 2016, 2015 and 2014:

As of the Period Ended	**June 30, 2017**		**December 31, 2016**		**December 31, 2015**		**December 31, 2014**	
(in thousands)	**Amount**	**Percent of total portfolio**	**Amount**	**Percent of total portfolio**	**Amount**	**Percent of total portfolio**	**Amount**	**Percent of total portfolio**
Securities available-for-sale								
U.S. Agency MBS	$ 22,352	43.81%	$ 21,481	45.18%	$ 15,482	38.96%	$ 6,589	21.31%
U.S. Agency CMO	4,731	9.27	1,434	3.02	640	1.61	922	2.98
U.S. Agency SBA					3,607	9.08	3,969	12.84
State and Municipal securities	9,356	18.34	9,110	19.16	3,346	8.42		
U.S. Callable Agency securities							6,863	22.20
Other securities	1,010	1.98	1,001	2.11	1,017	2.56	1,000	3.23
Total available-for-sale securities	$ 37,449	73.39%	$ 33,027	69.45%	$ 24,092	60.63%	$ 19,343	62.57%
Held-to-maturity securities								
State and municipal securities	11,607	22.75	12,560	26.41	13,695	34.46	8,630	27.92
Corporate securities							1,000	3.23
U.S. Treasury securities	1,971	3.86	1,965	4.13	1,952	4.91	1,940	6.28
Total held-to-maturity securities	$ 13,578	26.61%	$ 14,525	30.55%	$ 15,647	39.37%	$ 11,570	37.43%
Total securities	**$ 51,027**	**100.00%**	**$ 47,552**	**100.00%**	**$ 39,739**	**100.00%**	**$ 30,913**	**100.00%**

No securities are considered other-than-temporarily impaired based on management's evaluation of the individual securities, including the extent and length of any unrealized losses, and our ability to hold the security until maturity or until the fair value recovers, and management's opinion that it will not have to sell the securities prior to recovery of value. We invest in securities for the cash flow and yields they produce and not to profit from trading. We do not hold trading securities in our portfolio. At June 30, 2017, there were no securities of which the amortized cost or estimated fair value exceeded 10% of our total equity.

Loans

The following table sets forth the composition of the loan portfolio as of June 30, 2017, and December 31, 2016, 2015, 2014, 2013 and 2012:

As of the Period Ended	June 30, 2017		December 31, 2016		December 31, 2015		December 31, 2014		December 31, 2013		December 31, 2012	
(in thousands)	Amount	Percent of total loans	Amount	Percent of total loans	Amount	Percent of total loans	Amount	Percent of total loans	Amount	Percent of total loans	Amount	Percent of total loans
Mortgage loans held-for-sale	$ 36,411	5.31%	$ 39,573	6.14%	$ 83,684	14.33%	$ 45,065	8.58%	$ 34,992	7.95%	$ 41,156	10.49%
Loans held-for-investment												
Real estate loans:												
Commercial mortgage loans	245,933	35.83	225,584	34.99	168,096	28.79	142,111	27.04	130,319	29.60	118,926	30.33
Home equity lines and loans	84,357	12.29	85,385	13.24	85,288	14.61	91,715	17.45	90,542	20.56	86,430	22.04
Residential mortgage loans	31,932	4.65	30,295	4.70	25,378	4.35	43,673	8.31	33,043	7.50	19,598	5.00
Construction loans:	82,898	12.08	65,846	10.21	55,182	9.45	47,063	8.96	32,877	7.47	26,146	6.87
Total real estate loans	$ 445,120	64.86%	$ 407,090	63.15%	$ 333,944	57.20%	$ 324,582	61.75%	$ 286,781	65.13%	$ 251,100	64.03%
Commercial and industrial loans	203,282	29.62	196,091	30.42	164,346	28.15	152,201	28.96	116,783	28.52	96,936	24.72
Consumer loans	432	0.06	450	0.07	417	0.07	1,049	0.20	647	0.15	1,364	0.35
Leases, net	1,071	0.16	1,469	0.23	1,389	0.24	2,620	0.50	1,126	0.26	1,602	0.41
Total loans and leases held-for-investment	$ 649,905	94.69%	$ 605,100	93.86%	$ 500,096	85.67%	$ 480,452	91.42%	$ 405,337	92.05%	$ 351,002	89.51%
Total loans and leases	$ 686,316	100.00%	$ 644,673	100.00%	$ 583,780	100.00%	$ 525,517	100.00%	$ 440,329	100.00%	$ 392,158	100.00%
Loans with predetermined rates	203,029	29.58	193,378	30.00	214,056	36.67	187,734	35.72	154,861	35.17	131,246	33.47
Loans with adjustable or floating rates	483,287	70.42	451,295	70.00	369,724	63.33	337,783	64.28	285,468	64.83	260,912	66.53
Total loans and leases	$ 686,316	100.00%	$ 644,673	100.00%	$ 583,780	100.00%	$ 525,517	100.00%	$ 440,329	100.00%	$ 392,158	100.00%
Net deferred loan origination (fees) costs	(1,507)		(809)		648		375		(56)		(66)	
Allowance loan origination (fees) costs	(6,214)		(5,425)		(5,298)		(5,008)		(4,084)		(4,900)	
Total loans and leases, net	$ 678,595		$ 638,439		$ 579,130		$ 520,884		$ 436,189		$ 387,192	

The following table sets forth the contractual maturities of the loan portfolio as of June 30, 2017:

As June 30, 2017 (in thousands)	Due in 1 year or less	Due in 1 year through 5 years	Due after 5 years	Total
Mortgage loans held-for-sale	$	$	$ 36,411	$ 36,411
Loans held-for-investment				
Real estate loans:				
Commercial mortgage loans	15,245	61,336	169,352	245,933
Home equity lines and loans	114	2,438	81,805	84,357
Residential mortgage loans			31,932	31,932
Construction loans	33,880	33,554	15,464	82,898
Total real estate loans	$ 49,239	$ 97,328	$ 298,553	$ 445,120
Commercial and industrial loans	22,737	46,571	133,974	203,282
Consumer loans	80	232	120	432
Leases, net	68	1,003		1,071
Total loans and leases held-for-investment	$ 72,124	$ 145,134	$ 432,647	$ 649,905
Total loans and leases	$ 72,124	$ 145,134	$ 469,058	$ 686,316
Loans with predetermined rates	14,060	82,943	106,026	203,029
Loans with adjustable or floating rates	58,062	62,190	363,035	483,287
Total loans and leases	$ 72,122	$ 145,133	$ 469,061	$ 686,316

The following table sets forth the contractual maturities of the loan portfolio as of December 31, 2016:

As December 31, 2016 (in thousands)	Due in 1 year or less	Due in 1 year through 5 years	Due after 5 years	Total
Mortgage loans held-for-sale	$	$	$ 39,573	$ 39,573
Loans held-for-investment				
Real estate loans:				
Commercial mortgage loans	13,813	50,850	160,091	225,564
Home equity lines and loans	194	2,113	83,078	85,385
Residential mortgage loans	277		30,018	30,295
Construction loans	30,595	28,732	6,519	65,846
Total real estate loans	$ 44,879	$ 81,695	$ 280,517	$ 407,090
Commercial and industrial loans	24,210	68,795	103,086	196,091

Consumer loans	86	217	147	450
Leases, net	76	1,393		1,469
Total loans and leases held-for-investment	$ 69,251	$ 152,100	$ 383,750	$ 605,100
Total loans and leases	$ 69,251	$ 152,100	$ 423,323	$ 644,673
Loans with predetermined rates	14,510	77,784	101,084	193,378
Loans with adjustable or floating rates	54,742	74,315	322,238	451,295
Total loans and leases	$ 69,252	$ 152,099	$ 423,323	$ 644,673

Asset Quality

Meridian Bank continues to work diligently to maintain asset quality by adhering to strict underwriting standards and strong lending policies and procedures. Non-performing assets totaled $4.2 million at June 30, 2017 compared to $5.3 million at December 31, 2016 and $5.9 million at June 30, 2016. Non-performing loans to total loans were 0.61% at June 30, 2017, 0.83% at December 31, 2016, and 0.89% at June 30, 2016. As a percentage of total loans, excluding loans held-for-sale, non-performing loans were 0.65%, 0.88%, and 1.05% at June 30, 2017, December 31, 2016, and June 30, 2016 respectively. Non-performing assets were 0.54% of total assets at June 30, 2017, down from 0.73% December 31, 2016 and 0.81% at June 30, 2016. The allowance to non-performing loans ratio was 148.13% at June 30, 2017, 101.90% at December 31, 2016, and 92.13% at June 30, 2016. The increase was primarily the result of a decrease in non-performing assets of $1.1 million from December 31, 2016 to $4.2 million at June 30, 2017.

Non-performing assets are comprised of non-accrual loans, loans delinquent over ninety days and still accruing and OREO. Non-accrual loans are loans for which the accrual of interest ceases when the collection of principal or interest payments is determined to be doubtful by management. It is the policy of Meridian Bank to discontinue the accrual of interest when principal or interest payments are delinquent 90 days or more unless the loan principal and interest are determined by management to be fully secured and in the process of collection. Interest received on such loans is applied to the principal balance, or may, in some instances, be recognized as income on a cash basis. A non-accrual loan may be restored to accrual status when management expects to collect all contractual principal and interest due and the borrower has demonstrated a sustained period of repayment performance in accordance with the contractual terms. OREO consists of real estate acquired by foreclosure or deed-in-lieu of foreclosure. OREO and other repossessed assets are carried at the lower of carrying value or estimated fair value, less estimated disposition costs. Any significant change in the level of non-performing assets is dependent, to a large extent, on the economic climate within Meridian's market area.

Meridian Bank's credit committee of the board of directors monitors the performance of the loan portfolio to identify potential problem assets on a timely basis. Committee members meet to design, implement and review asset recovery strategies, which seeks to maximize the recovery of each troubled asset. As of June 30, 2017, Meridian Bank had $4.9 million loans classified substandard or worse. Of the $4.9 million of such assets, $1.1 million are performing and are believed to require supervision and review greater than loans classified pass or special mention, and may, depending on the economic environment and other factors, become non-performing assets in future periods. The amount of performing substandard loans at December 31, 2016 was $1.0 million. The majority of non-performing loans are secured by commercial real estate, with lesser amounts being secured by residential real estate, inventory and receivables.

Troubled Debt Restructurings Loans whose terms are modified are classified as troubled debt restructurings ("TDR") if Meridian Bank grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a temporary reduction in interest rate or an extension of a loan's stated maturity date. Non-accrual troubled debt restructurings may be restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification and other conditions are met. Loans classified as TDR are designated as impaired.

At June 30, 2017, Meridian Bank had eighteen TDRs with recorded investment totaling $5.5 million, nine of which totaled $2.2 million, represented accruing loans performing in compliance with the terms of their modifications. The remaining $3.3 million represents nine loans that were nonaccrual impaired loans. All TDRs are designated impaired and subject to collateral evaluations. As a result of the evaluations, specific reserves and charge-offs are taken where appropriate.

At December 31, 2016, Meridian Bank had eighteen TDRs with recorded investment totaling $5.8 million, nine of which totaled $2.3 million, represented accruing loans performing in compliance with the terms of their modifications. The remaining $3.5 represents nine loans that were nonaccrual impaired loans. As a result of the required collateral evaluations, specific reserves and charge-offs have been taken where appropriate. For the year-ended December 31, 2016, Meridian Bank had two new TDRs, one CRE loan in the amount of $119 thousand and one commercial loan in the amount of $2.2 million. We have not experienced any concentration in the industries of our TDRs.

The following table sets forth those assets that are: (i) placed on non-accrual status, (ii) contractually delinquent by 90 days or more and still accruing, (iii) OREO as a result of foreclosure or voluntary transfer to Meridian Bank as well as other repossessed assets, and (iv) troubled debt restructured loans. In addition, the table sets forth Meridian's asset quality and allowance coverage ratios at the dates indicated:

Non-Performing Assets and Related Ratios

(Dollars in thousands)

	As of June 30, 2017	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
Non-performing assets:						
Nonaccrual loans:						
Commercial mortgage	$ 613	$ 892	$ 808	$ 919	$ 4,694	$ 5,327
Commercial land development	219	219	439	439	-	-
Home equity lines and loans	168	132	208	130	79	228
Residential mortgage	298	298	818	125	-	-
Commercial construction	-	-	-	-	163	-
Total real estate loans	$ 1,298	$ 1,541	$ 2,273	$ 1,613	$ 4,936	$ 5,555
Commercial and industrial	2,863	3,741	1,443	1,884	2,964	2,878
Shared national and commercial credits	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Lease financing	-	-	-	-	-	-
Total nonaccrual loans	$ 4,161	$ 5,282	$ 3,716	$ 3,497	$ 7,900	$ 8,433
Loans 90 days past due and accruing	34	42	38	-	-	-
Total non-performing loans	$ 4,195	$ 5,324	$ 3,754	$ 3,497	$ 7,900	$ 8,433
Other real estate owned	-	-	189	398	1,751	4,597
Total non-performing assets	$ 4,195	$ 5,324	$ 3,943	$ 3,895	$ 9,651	$ 13,030
Troubled debt restructurings:						
TDRs included in non-performing loans	3,284	3,482	2,659	3,263	5,647	1,677
TDRs in compliance with modified terms	2,239	2,279	2,658	1,864	3,817	3,461
Total TDRs	$ 5,523	$ 5,761	$ 5,317	$ 5,127	$ 9,390	$ 5,138
Asset quality ratios:						
Non-performing assets to total assets	0.54%	0.73%	0.63%	0.67%	1.93%	2.93%
Non-performing loans to:						
Total loans	0.61%	0.83%	0.68%	0.66%	1.79%	2.15%
Total loans held-for-investment	0.65%	0.88%	0.75%	0.73%	1.95%	2.40%
Allowance for loan losses to:						
Total loans	0.91%	0.84%	0.91%	0.95%	0.93%	1.25%
Total loans held-for-investment	0.96%	0.90%	1.06%	1.04%	1.01%	1.40%
Non-performing loans	148.13%	101.90%	133.65%	143.21%	51.68%	58.11%
Total loans and leases	$ 684,809	$ 643,864	$ 584,428	$ 525,892	$ 440,273	$ 392,092
Total loans and leases held-for-investment	$ 648,398	$ 604,291	$ 500,744	$ 480,827	$ 405,281	$ 350,936
Allowance for loan and lease losses	$ 6,214	$ 5,425	$ 5,298	$ 5,008	$ 4,084	$ 4,900

Analysis of Allowance for Loan Losses

(Dollars in thousands)

	Six Months Ended June 30, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Beginning balance	$ 5,425	$ 5,298	$ 5,008	$ 4,084	$ 4,900	$ 4,480

Provisions	780	1,198	1,434	2,543	861	1,515
Loans charged off:						
Real estate loans:						
Commercial mortgage	(30)	(219)		(979)	(613)	(256)
Home equity lines and loans	(42)	(248)	(243)	(299)	(229)	(190)
Residential mortgage		(225)	(281)			(345)
Commercial construction				(20)	(578)	(17)
Commercial and industrial	(120)	(633)	(1,152)	(331)	(315)	(265)
Shared national commercial credits						
Consumer		(1)		(77)	(21)	(44)
Lease financing						(11)
Total charged off	(192)	(1,326)	(1,676)	(1,706)	(1,756)	(1,128)
Recoveries:						
Real estate loans:						
Commercial mortgage	16	13		51	29	
Home equity lines and loans	(6)	185	4	2	6	10
Residential mortgage	2	4	3			
Commercial construction	2	2	492		9	
Commercial and industrial	187	47	21	30	16	13
Shared national commercial credits						
Consumer		4	12	4	19	10
Lease financing						
Total recoveries	201	255	532	87	79	33
Ending balance	$ 6,214	$ 5,425	$ 5,298	$ 5,008	$ 4,084	$ 4,900

The following table sets forth the composition of Meridian's allowance for loan losses for the dates indicated.

Composition of Allowance for Loan Losses

(Dollars in thousands)

	As of June 30, 2017		As of December 31, 2016		As of December 31, 2015		As of December 31, 2014		As of December 31, 2013		As of December 31, 2012	
	Amoun t	Percent of Loan Type to Total Loans	Amoun t	Percent of Loan Type to Total Loans	Amoun t	Percent of Loan Type to Total Loans	Amoun t	Percent of Loan Type to Total Loans	Amount	Percent of Loan Type to Total Loans	Amount	Percent of Loan Type to Total Loans
Mortgage loans held-for-sale	**$**	**5.3%**	$	6.1%	$	14.3%	$	8.6%	$	7.9%	$	10.5%
Real estate loans:												
Commercial mortgage loans	**2,423**	**35.7%**	2,038	35.0%	1,635	28.7%	1,634	26.9%	1,309	29.5%	1,483	30.3%
Home equity lines and loans	**228**	**12.3%**	460	13.2%	455	14.6%	456	17.5%	580	20.6%	777	22.0%
Residential mortgage loans	**79**	**4.7%**	85	4.7%	254	%4.4	207	8.3%	261	7.5%	198	5.0%
Commercial construction	**1,388**	**12.1%**	690	10.2%	700	9.5%	912	9.0%	629	7.5%	1,170	6.7%
Commercial and industrial	**2,086**	**29.6%**	1,973	30.5%	2,247	28.2%	1,718	29.0%	1,146	26.5%	1,130	24.7%
Consumer	**2**	**0.1%**	2	0.1%	2	0.1%	6	0.2%	6	0.2%	15	0.4%
Leases financing	**8**	**0.2%**	5	0.2%	5	0.2%	11	0.5%	11	0.3%	15	0.4%
Unallocated		**0.0%**	172	0.0%		0.0%	64	0.0%	142	0.0%	112	0.0%
Total	**$ 6,214**	**100.0%**	$ 5,425	100.0%	$ 5,298	100.0%	$ 5,008	100.0%	$ 4,084	100.0%	$ 4,900	100.0%

Financial Condition Analysis – Period ended December 31, 2016

Meridian's total assets were $733.7 million at December 31, 2016, compared to $633.3 million at December 31, 2015. The $70.3 million, or 10.6% increase in total assets was primarily attributable to a $103.5 million increase in net loans held for investment, a $7.8 million increase in investment securities and a $3.5 million increase in bank premises, equipment and other assets partially offset by $44.1 million decrease in mortgage loans available for sale.

Cash and Investment Securities. Cash and investment securities were $18.9 million and $47.6 million at December 31, 2016, respectively, compared to $19.2 and $39.7 million at December 31, 2015. The $7.8 million increase in investment securities was primarily due to $16.2 million in purchases partially offset by $3.9 million in principal pay-downs and maturities along with $3.4 million in sales, $761 thousand in net amortizations and $287 thousand in fair value adjustments during the period.

Loans. Meridian's loans for investment increased $103.5 million or 20.7% to $604.3 million at December 31, 2016, compared to $500.7 million at December 31, 2015. Total commercial loans increased $31.7 million, commercial real estate loans, including construction, increased $68.1 million while consumer loans, including home equity and residential loans held in portfolio, increased $5.0 million. Residential loans available for sale decreased $44.1 million.

Deposits. Deposits were $527.1 million at December 31, 2016, compared to $490.6 million at December 31, 2015. Deposits increased $36.6 million or 7.5% during the year ended December 31, 2016. Non-interest bearing deposits increased $36.0 million or 59.6% year over year. Interest checking, money markets and savings accounts, time deposits increased by $530 thousand combined.

Borrowings. Borrowings were $118.4 million at December 31, 2016, compared to $101.4 million at December 31, 2015. The increase of $17.0 million and was comprised of new overnight advances and Fed funds along. No additional was issued during 2016.

Stockholders' Equity. Stockholders' equity was $70.0 million at December 31, 2016, compared to $52.9 million at December 31, 2015. The increase in stockholders' equity was primarily a result of net proceeds from a capital raise of 13.1 million, earnings of $4.9 million, along with $371 thousand in share-based awards and exercises, partially offset by $1.2 million of dividends paid on preferred stock and $228 thousand of other comprehensive loss.

Investment Securities

As of December 31, 2016, all of the securities in our securities portfolio consisted primarily of municipal bonds issued by state and political subdivisions, mortgage- backed securities backed by government-sponsored agencies, U.S. government obligations, and other debt securities with varying contractual maturities. Our mortgage- backed securities are comprised of both fixed and floating rate securities. Floating rate securities consist mainly of seasoned ARM collateral that reprices annually. Our other debt securities category is comprised of fixed and floating rate government-sponsored agency CMOs secured by single-family and multifamily loans. Our ALCO reviews our securities portfolio on an ongoing basis to ensure that the investments conform to our investment policy.

No securities are considered other-than-temporarily impaired based on management's evaluation of the individual securities, including the extent and length of any unrealized losses, and our ability to hold the security until maturity or until the fair value recovers, and management's opinion that it will not have to sell the securities prior to recovery of value. We invest in securities for the cash flow and yields they produce and not to profit from trading. We hold no trading securities in our portfolio as of December 31, 2016.

Loans

See the information above under "- Financial Condition Analysis – Period ended June 30, 2017 – Loans" for additional information.

Asset Quality

Non-performing assets totaled $5.3 million at December 31, 2016 compared to $3.9 million at December 31, 2015. Non-performing assets to total assets were 0.73% at December 31, 2016 and 0.63% at December 31, 2015. Non-performing loans to total loans were 0.83% at December 31, 2016 and at 0.68% December 31, 2015. The allowance to non-performing loans ratio was 101.9% at December 31, 2016 and 133.7% at December 31, 2015.

As of December 31, 2016, Meridian Bank had $6.3 million loans classified substandard or worse. Of the $6.3 million, $255 thousand are performing and are believed to require supervision and review greater than loans classified pass or special mention, and may, depending on the economic environment and other factors, become non-performing assets in future periods. The amount of performing substandard loans at December 31, 2015 was $594 thousand. The majority of non-performing loans are secured by commercial real estate, with lesser amounts being secured by residential real estate, inventory and receivables.

Troubled Debt Restructurings

At December 31, 2016, Meridian Bank had eighteen TDRs with recorded investment totaling $5.8 million, nine of which totaled $2.3 million, represented accruing loans in compliance with the terms of their modifications. The remaining $3.5 million represents nine loans that were nonaccrual impaired loans. All TDRs are designated impaired and subject to collateral evaluations. As a result of the evaluations, specific reserves and charge-offs are taken where appropriate. During the year ended December 31, 2016, Meridian Bank had one new commercial mortgage loan TDR in the amount of $119 thousand and one commercial and industrial loan in the amount of $2.2 million.

At December 31, 2015, Meridian Bank had sixteen TDRs with recorded investment totaling $5.3 million, nine of which totaled $2.7 million, represented accruing loans in compliance with the terms of their modifications. The remaining $2.6 represents nine loans that were nonaccrual impaired loans. As a result of the required collateral evaluations, specific reserves and charge-offs have been taken where appropriate. For the year-ended December 31, 2015, Meridian Bank had 7 new TDRs; four commercial real estate loans totaling $1.4 million and three commercial loans totaling $437 thousand.

See the information above under "- Financial Condition Analysis – period ended June 30, 2017 – Asset Quality – Troubled Debt Restructurings" for additional information.

Deposits

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

(dollars in thousands)	Six months ended June 30, 2017			Year ended December 31, 2016			Six months ended June 30, 2016		
	Average amount	Weighted average rate paid	Percent of total deposits	Average amount	Weighted average rate paid	Percent of total deposits	Average amount	Weighted average rate paid	Percent of total deposits
Noninterest-bearing deposits	$ 97,761	-	17.73%	$ 147,001	-	13.83%	$ 61,327	-	11.73%
Interest-bearing deposits	281,666	0.79%	51.09%	522,273	0.68%	49.12%	264,764	0.65%	50.64%
Time deposits:									
Under $100,000	8,159	0.97%	1.48%	18,185	0.82%	1.71%	9,839	0.84%	1.88%
$100,000 and greater	163,756	0.97%	29.70%	375,756	0.92%	35.34%	186,927	0.87%	35.75%
Total	$ 551,342	0.71%	100.00%	$1,063,216	0.67%	100.00%	$ 522,857	0.66%	100.00%

The following table sets forth the maturity of time deposits for the periods presented.

(dollars in thousands)	June 30, 2017		December 31, 2016		June 30, 2016	
	Under $100,000	$100,000 and greater	Under $100,000	$100,000 and greater	Under $100,000	$100,000 and greater
Remaining maturity:						
Three months or less	$ 21,712	$ 30,343	$ 27,936	$ 39,429	$ 13,489	$ 44,368
Over three through six months	23,709	15,820	13,192	12,965	12,704	10,709
Over six through twelve months	35,785	21,285	17,124	37,059	25,001	52,976
Over twelve months	17,530	6,095	26,821	11,876	24,018	12,852
Total	$ 98,735	$ 73,543	$ 85,072	$ 101,330	$ 75,213	$ 120,905
Percent of total deposits	17.65%	13.14%	15.20%	18.11%	14.15%	22.75%

The following table sets forth the deposit activities for the six months ended June 30, 2017and 2016 and year ended December 31, 2016 and 2015.

Deposit Activity				
(dollars in thousands)	**Six Months Ended June 30,**		**Year Ended December 31,**	
	2017	**2016**	**2016**	**2015**
Beginning balance	$ 527,136	$ 490,568	$ 490,568	$ 462,709
Interest credited	1,872	1,729	3,470	3,104
Net increase in deposits	30,511	39,120	33,098	24,755
Deposits at period end	$ 559,519	$ 531,417	$ 527,136	$ 490,568

Liquidity and Capital Resources

Management maintains liquidity to meet depositors' needs for funds, to satisfy or fund loan commitments, and for other operating purposes. Meridian's foundation for liquidity is a stable and loyal customer deposit base, cash and cash equivalents, a marketable investment portfolio that provides periodic cash flow through regular maturities and amortization, or that can be used as collateral to secure funding. In addition, as part of its liquidity management, Meridian maintains a segment of commercial loan assets that are comprised of SNCs which have a national market and can be sold in a timely manner. Meridian's primary liquidity, which totaled $109 million at June 30, 2017 compared to $112 million at December 31, 2016 includes investments, SNCs, Federal funds sold, mortgages held-for-sale and cash and cash equivalents, less the amount of securities required to be pledged for certain liabilities. Meridian also anticipates scheduled payments and prepayments on its loan and mortgage-backed securities portfolios.

In addition, Meridian maintains borrowing arrangements with various correspondent banks, the FHLB and the Federal Reserve Bank of Philadelphia to meet short-term liquidity needs. Through these relationships, Meridian had available credit of approximately $53.4 million at June 30, 2017. As a member of the FHLB, we are eligible to borrow up to a specific credit limit which is determined by the amount of our residential mortgages, commercial mortgages and other loans that have been pledged as collateral. As of June 30, 2017, Meridian's maximum borrowing capacity with the FHLB was $321.9 million. At June 30, 2017, Meridian had borrowed $118.2 million and the FHLB had issued letters of credit, on Meridian's behalf, totaling $36.6 million against its available credit lines. At June 30, 2017, Meridian also had available $26.0 million of unsecured federal funds lines of credit with other financial institutions as well as $74.8 million of available short or long term funding through the Certificate of Deposit Account Registry Service (CDARS) program and $182.5 million of available short or long term funding through brokered CD arrangements. Management believes that Meridian has adequate resources to meet its short-term and long-term funding requirements.

At June 30, 2017, Meridian had $216.1 million in un-funded loan commitments. Management anticipates these commitments will be funded by means of normal cash flows. Certificates of deposit greater than or equal to $250 thousand scheduled to mature in one year or less from June 30, 2017 totaled $135.2 million. Management believes that the majority of such deposits will be reinvested with Meridian and that certificates that are not renewed will be funded by a reduction in cash and cash equivalents or by pay-downs and maturities of loans and investments.

Meridian meets the definition of "well capitalized" for regulatory purposes on June 30, 2017. Our capital category is determined for the purposes of applying the bank regulators' "prompt corrective action" regulations and for determining levels of deposit insurance assessments and may not constitute an accurate representation of the Meridian's overall financial condition or prospects.

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

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

(Dollars in thousands)	**Actual Amount**	**Ratio**	**For Capital Adequacy Purposes* Amount**	**Ratio**	**To Be Well Capitalized Under Prompt Corrective Action Provisions Amount**	**Ratio**
June 30, 2017						
Total risk-based capital	$ 86,435	12.21%	$ 65,484	9.250%	70,793	10.00%
Common Equity Tier 1 capital	53,603	7.57	40,706	5.750	46,016	6.50
Tier 1 risk-based capital	66,448	9.39	51,325	7.250	56,635	8.00
Tier 1 (leverage) capital	66,448	8.85	30,019	4.000	37,524	5.00
December 31, 2016						
Total risk-based capital	$ 89,396	13.51%	$ 57,071	8.625%	66,169	10.00%
Common Equity Tier 1 capital	57,426	8.68	33,912	5.125	43,010	6.50
Tier 1 risk-based capital	70,271	10.62	43,837	6.625	52,935	8.00
Tier 1 (leverage) capital	70,271	9.67	29,055	4.000	36,318	5.00

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Asset/Liability Management

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

Our board of directors has established a Board Risk Committee that, among other duties, sets broad asset and liability management policy (ALM policy) and directives for asset/liability management, as well as establishes review and control procedures to ensure adherence to this policy. The Board of Directors has delegated authority for the development and implementation of all asset and liability management policies, procedures, and strategies to the ALCO. ALCO is comprised of various members of senior management responsible for implementing the longer range objectives established by the Board of Directors. As such, the ALCO sets basic direction for the bank's sources and uses of funds, establishes numerical ranges for primary and secondary objectives, monitors risk and the delivery of services, establishes subcommittees to manage specific ALM activities, and monitors the counterparties engaged in ALM activities. Our ALM policy is reviewed by at least annually, which includes an evaluation of the ALM policy limits and guidelines in light of our risk profile, business strategies, regulatory guidelines and overall market conditions.

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

Gap analysis. Management measures and evaluates the potential effects of interest rate movements on earnings through an interest rate sensitivity "gap" analysis. Given the size and turnover rate of the originated mortgage loans held for sale, loans held for sale are treated as having a maturity of 12 months or less. Interest rate sensitivity reflects the potential effect on net interest income when there is movement in interest rates. An institution is considered to be asset sensitive, or having a positive gap, when the amount of its interest-earning assets repricing within a given period exceeds the amount of its interest-bearing liabilities also repricing within that time period. Conversely, an institution is considered 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 table presents the interest rate gap analysis of our assets and liabilities as of June 30, 2017.

As of June 30, 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	$ 17,757	$ 3,005	$ 11,485	$ 33,291	$ 65,538
Loans, net (1)	$ 401,786	$ 61,894	$ 180,617	$ 36,428	$ 680,725
Other assets	—	—	—	$ 34,398	$ 34,398
Total assets	$ 419,543	$ 64,899	$ 192,102	$104,117	**$ 780,661**
Liabilities and Equity:					
Noninterest-bearing deposits	$ 11,178	$ 9,908	$ 23,468	$ 53,834	$ 98,388
Interest-bearing deposits	$ 236,189	$ 26,580	$ 26,580	—	$ 289,348
Time deposits	$ 148,155	$ 18,644	$ 4,982	—	$ 171,781
FHLB advances	$ 116,842	$ 5,500	$ 7,475	$ 13,376	$ 143,193
Other liabilities	—	—	—	$ 6,811	$ 6,811
Total stockholders' equity	—	—	—	$ 71,140	$ 71,140
Total liabilities and stockholders' equity	$ 512,364	$ 60,632	$ 62,505	$145,161	**$ 780,661**
Repricing gap					
(Negative) Positive	($ 92,821)	$ 4,267	$ 129,597	($41,044)	—
Cumulative repricing gap: Dollar amount	($ 92,821)	($88,553)	$ 41,044		—
Percent of total assets	-0.01%	-0.01%	0%	—	—

(1) Includes loans held-for-sale.

The following table presents the interest rate gap analysis of our assets and liabilities as of December 31, 2016.

As of December 31, 2016 *(in thousands)*	**12 Months or Less**	**1~2 Years**	**2~5 Years**	**Greater Than 5 years and Not Rate Sensitive**	**Total**
Cash and investments	$ 16,884	$ 1,510	$ 8,612	$ 35,706	$ 62,712
Loans, net (1)	$ 386,512	$ 57,721	$ 167,246	$ 28,442	$ 639,921
Other assets	—	—	—	$ 31,060	$ 31,060
Total assets	$ 403,396	$ 59,231	$ 175,858	$ 95,208	$ 733,693
Liabilities and Equity:					
Noninterest-bearing deposits.	$ 10,968	$ 9,722	$ 23,026	$ 52,821	$ 96,537
Interest-bearing deposits	$ 197,311	$ 23,442	$ 23,442	—	$ 244,196
Time deposits	$ 147,705	$ 31,681	$ 7,016	—	$ 186,402
FHLB advances	$ 105,553	$ 6,000	$ 6,800	$ 13,376	$ 131,729
Other liabilities	—	—	—	$ 4,865	$ 4,865
Total stockholders' equity	—	—	—	$ 69,964	$ 69,964
Total liabilities and stockholders' equity	$ 461,537	$ 70,845	$ 60,284	$141,026	$ 733,693
Repricing gap-positive					
(Negative) Positive	($ 58,141)	($ 11,614)	$ 115,574	($45,818)	—
Cumulative repricing gap: Dollar amount	($ 58,141)	($ 69,756)	$ 45,818		—
Percent of total assets	-0.01%	-0.01%	0%	—	—

(1) Includes loans held-for-sale.

Under the repricing gap analysis for both periods, we are liability-sensitive through one year mainly due to recent loan growth which has out-paced our 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, therefore our strategy is focused on increasing our concentration of relationship-based transaction accounts. To that end, and accordance with our business plan, we opened three deposit taking branches and hired three new business development officers in 2016 and for the first six months of 2017.

The gap results presented could vary substantially if different assumptions are used or if actual experience differs from the assumptions used in the preparation of the gap analysis. 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.

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

- the timing of changes in interest rates,
- shifts or rotations in the yield curve,
- repricing characteristics for market rate sensitive instruments on the balance sheet,
- differing sensitivities of financial instruments due to differing underlying rate indices,
- varying timing of loan prepayments for different interest rate scenarios,
- the effect of interest rate floors, periodic loan caps and life time loan caps, and
- overall growth rates and product mix of interest-earning assets and interest-bearing liabilities.

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

Potential changes to our net interest income between a flat interest rate scenario and hypothetical rising and declining interest rate scenarios, measured over a one-year period as of December 31, 2015 and 2016 as well as over a six month period as of June 30, 2016 and 2017, are presented in the following table. The projections assume (1) instantaneous parallel upward shifts of the yield curve of 100, 200, 300 and 400 basis points and downward shifts of 100 and 200 basis points occurring immediately, and (2) shifts upward and downward of the yield curve in even increments over the first twelve months, followed by rates held constant thereafter.

Parallel Shock:

Changes in Market Interest Rates	**Estimated increase (decrease) in Net Interest Income**	
	June 30, 2016	**June 30, 2017**
(in thousands)		
+400 basis points immediately	12%	3%
+300 basis points immediately	12%	3%
+200 basis points immediately	8%	2%
+100 basis points immediately	3%	1%
No Change		
-100 basis points immediately	-6%	-4%
-200 basis points immediately	-12%	-10%

Rate Ramp:

Changes in Market Interest Rates	Estimated increase (decrease) in Net Interest Income			
	For the year ending December 31,		For the six months ending June 30,	
(in thousands)	2015	2016	2016	2017
+400 basis points over next 12 months	6%	2%	5%	8%
+300 basis points over next 12 months	6%	2%	5%	8%
+200 basis points over next 12 months	4%	1%	3%	6%
+100 basis points over next 12 months	2%	1%	1%	3%
No Change				
-100 basis points over next 12 months	-2%	-2%	-2%	-2%
-200 basis points over next 12 months	-5%	-4%	-6%	-6%

The model simulations projected an asset sensitive interest rate risk profile in both the parallel and ramp scenarios and that the simulated exposure to a change in interest rates is contained and manageable. The results are consistent with our strategy of increasing relationship-based retail and business accounts and opportunistically utilizing longer-term deposits to fund short to medium duration assets.

Simulation of economic value of equity. To quantify the amount of capital required to absorb potential losses in value of our interest-earning assets and interest-bearing liabilities resulting from adverse market movements, we calculate economic value of equity on a quarterly basis. We define economic value of equity as the net present value of the our balance sheet's cash flow, and we calculate economic value of equity by discounting anticipated principal and interest cash flows under the prevailing and hypothetical interest rate environments. Potential changes to our economic value of equity between a flat rate scenario and a hypothetical rising and declining rate scenarios, measured as of June 30, 2016 and 2017 are presented in the following table. The projections assume instantaneous parallel shifts upward and downward of the yield curve of 100, 200, 300 and 400 basis points occurring immediately. We would note that in a downward parallel shift of the yield curve, interest rates at the short-end of the yield curve are not modeled to decline any further than to 0%.

Changes in Market Interest Rates	Estimated increase (decrease) in Net Economic Value	
	June 30, 2016	June 30, 2017
(in thousands)		
+400 basis points immediately	(0.02)	(0.11)
+300 basis points immediately	(0.01)	(0.09)
+200 basis points immediately	(0.01)	(0.06)
+100 basis points immediately	(0.00)	(0.03)
No Change		
-100 basis points immediately	(0.07)	(0.00)
-200 basis points immediately	(0.15)	(0.07)

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

The results of our net interest income and economic value of equity simulation analysis are purely hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from that projected, our net interest income might vary significantly.

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

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

BUSINESS

Our Company

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

Led by our Chairman and CEO Christopher J. Annas, the bank was formed in 2004. At the heart of our formation was a belief that, due to a considerable level of bank consolidations, the banking needs of middle market businesses in our primary market was not adequately served. Our principle investors believed that a sales oriented, scalable *de novo* bank, with experienced bankers and a more cost-efficient structure than a traditional branch network, could grow and generate attractive returns for shareholders.

As of June 30, 2017, we had total assets of $780.7 million, total loans of $656.3 million, total deposits of $559.6 million and total stockholders' equity of $71.1 million.

As a full-service community bank, Meridian offers products to meet our retail and commercial customer's needs through three principal business line unit distribution channels. Our primary focus is to serve small and middle-market businesses and their executives, entrepreneurs, real estate investors, professionals and high net worth individuals with a variety of financial services and solutions, while maintaining a disciplined approach to risk management. We have invested heavily in commercial lenders and operations personnel to take advantage of what we believe would be significant account turnover among banks due to local merger activity. This bore fruit as we grew our commercial / industrial lending and commercial real estate portfolios over 25% during 2016. Many of these businesses and individuals came to Meridian seeking a more stable banking environment as their existing institutions underwent consolidation. In addition to loan volume, we generated significant new deposit account activity among our customers.

Corporate Structure and Business Line Units

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

Commercial Banking

Our traditional banking operations serving both commercial and consumer customers via deposits and cash management, commercial and industrial lending, commercial real estate lending, SNCs, consumer and home equity lending, merchant services, and title and land settlement services.

Typical borrowers include:

- Commercial clients operating in manufacturing, industry and retail markets
- Commercial real estate clients focused on investment properties, land development for both commercial and residential construction
- Consumer and commercial depositors
- Consumers seeking home equity finance options
- SNCs

Mortgage Banking

A division of the bank, where our mortgage consultants guide our clients through the complex process of obtaining a loan to meet individual specific needs. Originations consist of consumer for-sale mortgage lending, loans to be held within our portfolio, and wholesale mortgage lending services. Clients include homeowners and smaller scale investors. Meridian Bank was named a Top 10 Lender (#6) by the Pennsylvania Housing Finance Agency in 2016. The mortgage division originations for the purchase of homes was 84% of its loan originations for the six months ended June 2017 and 16% was from refinance activity. The average loan size was $199 thousand for the six months ended June 30, 2017.

The bank's mortgage division operates and originates approximately 90% of its mortgage loans in the Pennsylvania, New Jersey and Delaware markets, most typically for 1-4 family dwellings, with the intention of the bank to principally sell substantially all of these loans in the secondary market to qualified investors. Mortgages are originated through sales and marketing initiatives, as well as realtor, builder, bank, advertising and customer referral resources. The bank utilizes a web-based loan origination system for origination, secondary pricing/lock-in, processing, closing, post-closing and government reporting. The division's main origination, processing, underwriting, closing and post-closing functions are performed at the Plymouth Meeting mortgage headquarters with 14 other production/processing offices. In 2016, Meridian Bank generated $892 million in loan originations, comprised of 4,358 individual mortgage loans, of which 98% was sold to investors. The chart below shows mortgage loan originations since 2013.

Mortgage Loan Origination (000s)

	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2016	Six months ended June 30, 2017
Amount	$ 622,971	$ 592,183	$ 836,955	$ 892,179	$ 326,392
Number	2,919	2,990	4,148	4,358	1,648

The division plans on a steady, managed growth policy of deliberate production locations and personnel hiring. From time to time opportunities exist that we may take advantage of by establishing new production offices that we would not normally consider because of their location outside our primary market, but because of the quality of individuals involved, we would consider opening a mortgage loan production office for them or assuming these personnel into our current network.

Currently, many opportunities exist in the mortgage lending market for a well-capitalized community bank such as Meridian. Many larger banks have exited the market or substantially cut back on new originations in part due to legacy losses arising from the lending frenzy of the mid 2000's. The large players that remain are not, in our opinion able to offer the same level of customer satisfaction or loan officer support that Meridian Bank can offer. Given our reputation, we have been able to recruit purchase oriented mortgage loan officers. Many of our new loan officers are associated with realtor offices throughout the region via exclusive marketing agreements with those offices. Thus, our production is predominately purchase oriented, rather than refinancing.

Wealth Management and Advisory Services

Meridian Wealth, a registered investment advisor and wholly-owned subsidiary of the bank, provides a comprehensive array of wealth management services and products and the trusted guidance to help its clients and our banking customers prepare for the future. Such clients include professionals, higher net worth individuals, companies seeking to provide benefits plans for their employees, and more. Acquiring and sustaining wealth is a gradual progression, one that requires a considerable amount of thought and planning. Our process takes a comprehensive approach to financial planning and encompasses all aspects of retirement, with an emphasis on sustainability. As of June 30, 2017, we have $659 million in assets under management.

Meridian Wealth acquired HJ Wealth in April 2017. This newly combined group brings together the experience of Meridian's own advisors, with their direct access to banking products and services and the breadth and long experience of HJ Wealth's management and staff.

Founded in 2000 by certified public accountants, HJ Wealth's proprietary analytical system, the Progression of Wealth®, is a discipline that connects the management of wealth to meaningful personal goals. HJ Wealth's client-first perspective made them a perfect match for Meridian's own business philosophy.

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

Our History and Growth

Meridian was founded in 2004. Historically, the bank focused on commercial lending, but maintained an opportunistic approach to lines of businesses that are synergistic. In 2005, the bank began to offer title insurance services through Meridian Land Settlement Service and also began to develop its wealth advisory business. Both began as an accommodation to our customers but now have become mainstay services for which we plan considerable growth. In 2010, we had the opportunity to hire a group of seasoned mortgage lenders, who had been with another regional bank prior to its sale to a large out of state financial institution. We hired 10 mortgage originators in the first year and have now grown that division to over 100 loan originators. In 2015 through mid-2016 we hired 12 commercial loan officers from various local institutions who were also disenchanted with the effects of their bank's merger/consolidation. The expansion of the commercial lending group, along with the expansion of the mortgage division, has allowed Meridian to expand into new markets, such as Media, Doylestown and Blue Bell.

Throughout the years of expansion, Meridian has been able to grow successfully with the help of two prior capital raises, and through the issuance of preferred stock in 2009 pursuant to the U.S. Treasury's TARP program. In addition, the bank has historically been a strong earner, becoming profitable as a de novo in its 5th quarter of operation. We believe our approach to growth and our ability to be nimble and opportunistic, along with a strong and early focus on profitability, have enabled us to out-perform de novo peers that operated in our market, many of which no longer exist.

Our Strategic Plan

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

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

Focus on organic growth. We intend to continue to grow our business organically in a focused and strategic manner. In late 2015 and throughout 2016 we added staff and upgraded systems to create a structure to support a larger organization. Over the past two years, we have hired new lending and credit administration teams as well as IT and compliance personnel. We believe that our overall capabilities, culture and opportunities for career growth will allow us to continue to attract talented new commercial and retail bankers to our business and enable our existing banking teams to drive loan growth. We also believe our lenders have further capacity to penetrate the markets and communities they serve as the brand awareness of Meridian Bank continues to grow.

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

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

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

These values are consistent with our belief that it is important to invest in our people, our customers and our communities. We believe these investments will enable us to attract and retain talent that fits our team concept and culture. We believe that our culture and the quality of our people have been catalysts of our success and will continue to propel our future success. Management has also set four strategic objectives designed to help us achieve maximum shareholder value, grow our Meridian brand and manage risk.

Strategic Objectives.

Meet the needs of our clients. To meet the needs of our business and individual customers we prefer to provide choices to reach the best solution. As an early adopter of check scanning technology, we aim to provide advanced electronic alternatives as well as in-person choices to our clients. Our one branch per county plan is well underway, with the recent opening of the Blue Bell office and the expected opening of the Philadelphia office in November 2017, which will give us six total banking offices in the Delaware Valley. These branches also serve as important points for the community support that is such a critical part of our corporate philosophy. We will opportunistically consider and add branches, but only when viewed as wisely supporting growth demands.

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

- increase our market penetration by adding new business development officers;

- offer online account opening with best in class customer experience;
- cross-selling products to customers;
- optimize funding strategies given the interest rate environment; and
- access new markets.

Grow the Meridian brand. As we have grown, Meridian has worked to strengthen its brand in our market area. Through consistent advertising, branch and office expansion, business development activities and community involvement, the bank has shared the Meridian story and elevated its brand awareness. Brand, product and location-oriented campaigns have run on local television, radio and digital media. The bank's social media following has grown and will be further supported by a website redesign slated to roll out at the end of the third quarter of 2017. We intend to continue to:

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

Maintain strong community support. A local bank needs to be directly connected to the communities it serves. With this in mind, we whole-heartedly believe in a "Meridian everywhere" approach. Our employees serve on boards, volunteer their time, and help raise funds for local non-profits. Our Spirit Committee works with community organizations to identify volunteer opportunities and gives employees a volunteer day each year. The bank has a presence at more than one hundred community events annually and has donated more than $2.8 million since inception to charities and nonprofits in the communities we serve.

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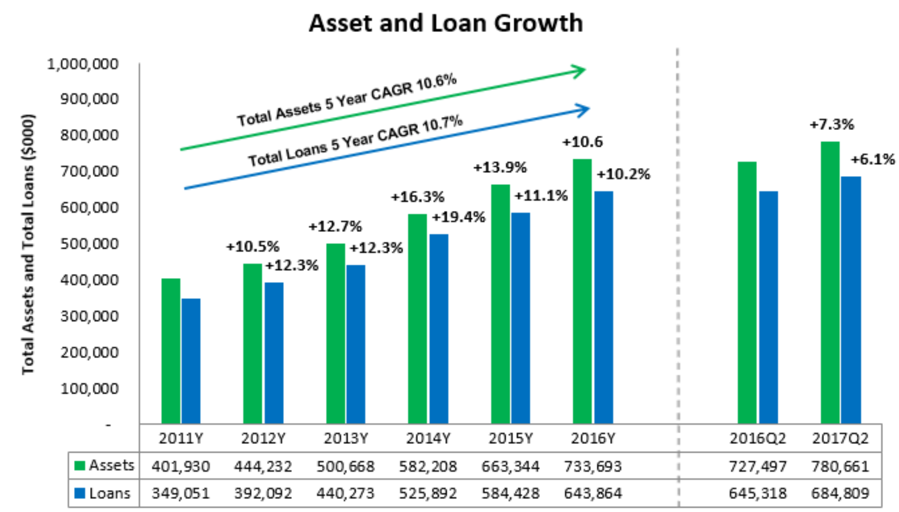
Our Competitive Strengths

Quality and stability of key management and board of directors with a strong track record. Our seasoned executive management team has extensive local knowledge of the banking industry. Drawing on their experience and deep ties to the community, our management team has grown the bank from its de novo beginnings to nearly $800 million in assets. Under their leadership, we have successfully grown through the recession, expanded our mortgage and wealth management divisions and navigated the challenges of regulatory reform. We believe management's track record of performance, guided by our board, will drive the continued growth of our franchise.

Business model. Management's strategic growth plan for the bank incorporates significant use of alternative delivery channels, such as remote deposit capture, mobile banking and bank-to-bank ACH. These customer driven services and products allow Meridian to minimize the number of branch locations as well as its branch staffing, to achieve a low-cost, efficient branch structure. Because of this structure, branch offices are equipped with state-of-the-art technology, including a TCR for quick and easy transactions and a conversation area to demonstrate mobile and online banking on a tablet and a touch screen computer. With these tools, the customer is educated and encouraged to use our electronic banking channels. Meridian's monthly average for mobile deposits and remote deposits for the six months ended June 30, 2017 was $76.9 million, or over 21 thousand transactions combined.

Asset generation. Meridian has built its loan customer base from vigorous and consistent outreach by customer-facing personnel to businesses in our region. We have over 30 lending officers, a majority of whom have over 20 years of credit lending in this community. It is our strategic goal to reach businesses in the region by placing one full-service branch in and around the counties surrounding Philadelphia while also supporting those branches with loan production offices. In total, the bank will have 24 offices after the opening of the Philadelphia branch in November 2017. These loan production offices primarily facilitate growth in mortgage banking outside of Meridian's traditional branch footprint.

Meridian's asset growth has been strong and steady since opening in 2004. Total assets at December 31, 2011 were $401.9 million and have grown at a compounded annual growth rate of 10.6% to $733.7 million at the end of 2016. The increase is driven by growth in the loan portfolio as shown in the five-year chart below, along with the growth rates for 2017 year-to-date.



Our Management Team. Meridian is poised for organic and acquisition-related growth under the direction of our Management Team, who bring across-the-board competencies and experiences in both commercial and retail banking:

- Christopher J. Annas, Chairman, CEO and President who has 38 years of banking experience

- Denise Lindsay, EVP Chief Financial Officer who has 25 years of banking experience and who has worked with our CEO for 13 years

- Charles D. Kochka, EVP Chief Lending Officer who has 39 years of banking experience and who has worked with our CEO for 16 years

- Joseph L. Cafarchio, EVP Chief Credit Officer who has 37 years of banking experience and who has worked with our CEO for 15 years

- Thomas J. Campbell, SVP Mortgage Lending who has 31 years of banking experience and who has worked with our CEO for 7 years

- Edward J. Carpoletti, SVP Wealth Management who has 47 years of banking experience and who has worked with our CEO for 13 years

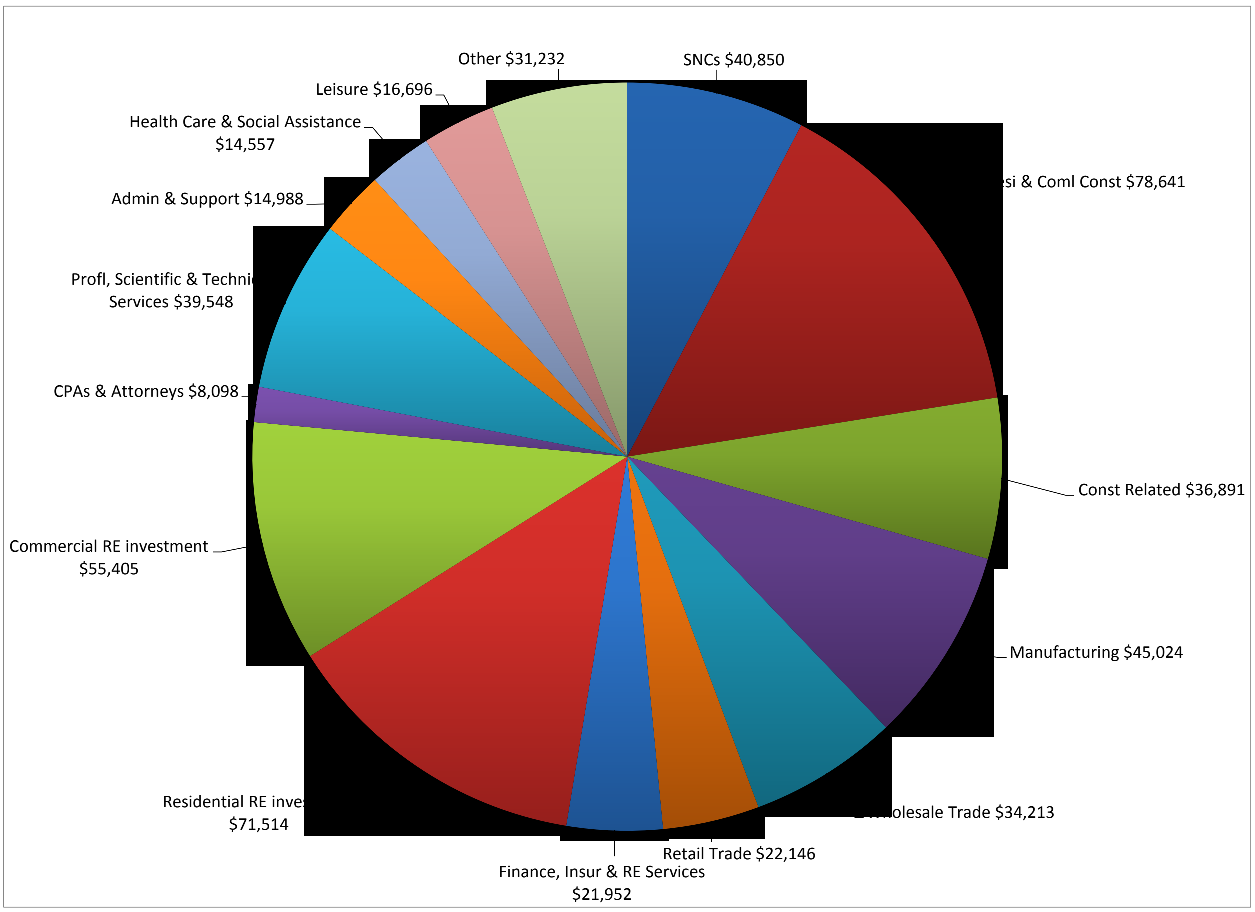
- Clarence Martindell, SVP CRE Lending who has 27 years of banking experience and who has worked with our CEO for 8 years

- James D. Nelsen, SVP Lending who has 44 years of banking experience and who has worked with our CEO for 10 years

The executive leadership and senior management teams' success in executing strategic initiatives has been accomplished via the long term recruitment of highly experienced officers with successful track records to pursue relationship-based banking. The team brings an entrepreneurial approach to the otherwise typically traditional banking field.

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

The graph below shows the diversification of our commercial loan portfolio at June 30, 2017.



Commercial and Industrial Lending

Our commercial and industrial lending department supports our small business and middle market borrowers with a comprehensive selection of loan products including financing solutions for wholesalers, manufacturers, distributors,

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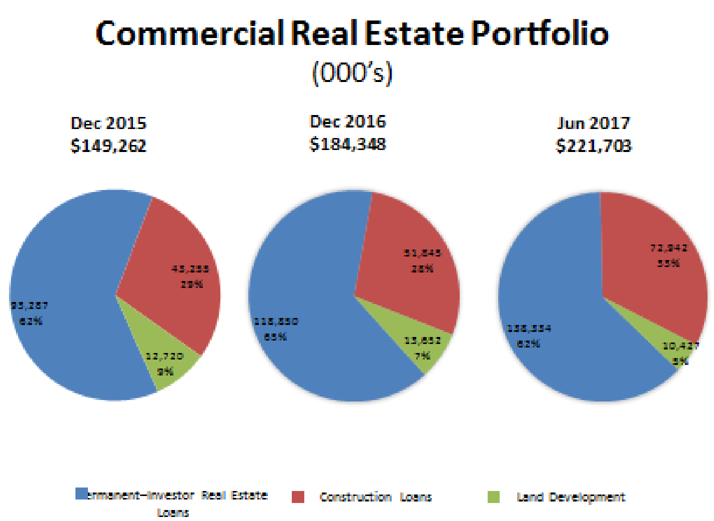
service providers, importers, exporters, among others. Our portfolio includes business lines of credit, term loans, small business lending (SBA), lease financing and SNCs.

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

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

<u>Commercial Real Estate Lending</u>

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



The following summarizes our product offerings:

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

- Permanent – Investor Real Estate Loans
    - Purchase and refinance loan opportunities for a number of product types, including single-family rentals, multi-family residential as well as tenanted income producing properties in a variety of real estate types, including office, retail, industrial, and flex space
- Land Development Loans
    - Meridian considers a limited number of strictly land development oriented loans based upon the risk, merit of the future project and strength of the borrower/guarantor relationship

Consumer and Personal Loans

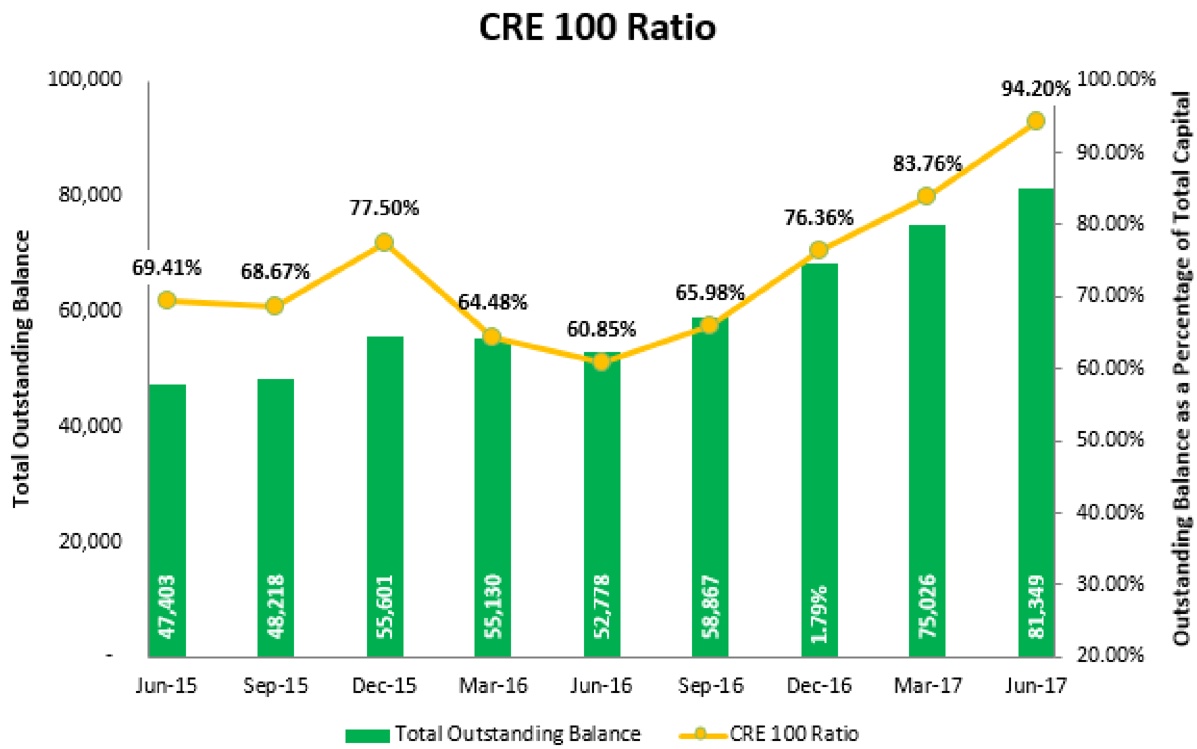
Our consumer-lending department principally originates home equity based products for our clients and prospects. These loans typically fund completely at closing. Additional products include smaller dollar personal loans and our newly introduced student loan refinance product, designed to provide additional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

CRE Concentration

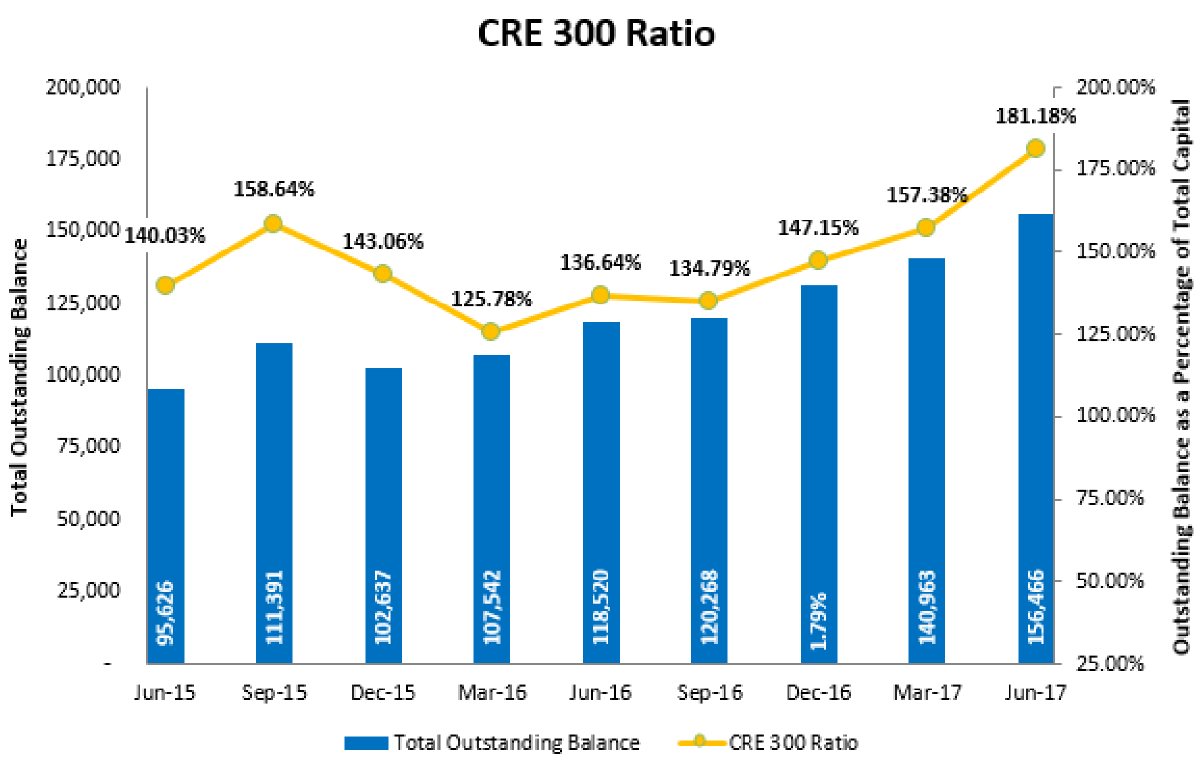
We monitor and track set targets for CRE concentration limits as a percentage of total capital in accordance with interagency guidelines.

The federal regulators have issued the CRE Concentration Guidance on sound risk management practices with respect to a financial institution's concentrations in commercial real estate lending activities. This guidance was designed to promote appropriate levels of capital and sound loan and risk management practices for institutions with a concentration of CRE loans. In general, it establishes the following supervisory criteria as preliminary indications of possible CRE concentration risk: (1) total commercial real estate loans represent 300% or more of its total capital and (2) the outstanding balance of such institution's commercial real estate loan portfolio has increased by 50% or more during the prior 36 months.

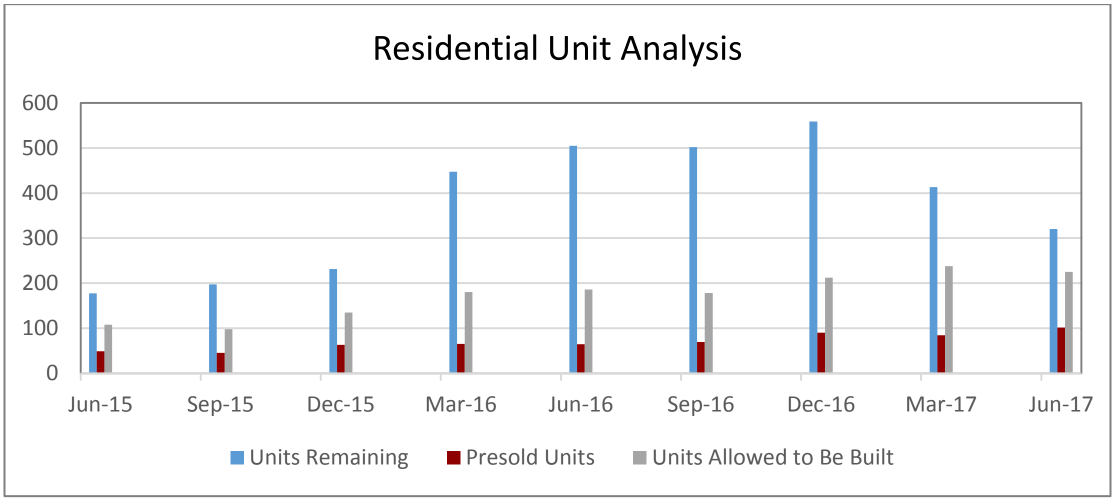
The following graph shows our exposure in the 100% bucket – construction, land development and other land loans compared to total capital quarterly over the two years ending June 30, 2017 and was 82% at June 30, 2017:



The following graph shows our exposure in the 300% bucket compared to total capital quarterly over the two years ending June 30, 2017 and was 181.2% at June 30, 2017:



We further breakdown the risk based on the individual speculative units versus pre-sold units and construction outstanding related to an owner occupied facility under construction. We monitor various stages of construction, including but not limited to, presold unit exposure, units remaining, spec sales, rental absorption and units allowed to build. The following graph shows our two-year trend in building units:



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

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

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

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

<u>Mortgage Lending</u>

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

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

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

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

Investment Portfolio

As of June 30, 2017 the fair value of our investment portfolio totaled $51.9 million, with an effective tax equivalent yield of 2.41% and an estimated duration of approximately 3.76 years. The primary objectives of the investment portfolio are to generate economic value, provide liquidity in accordance with the liquidity regulations and to be responsive to cash needs and assist in managing interest rate risk. The majority of our investment portfolio, or 43.92%, consists of residential mortgage-backed securities, along with 0% in commercial mortgage-backed securities and 38.84% in municipal securities. The remainder of our securities portfolio is invested in corporate bonds, asset backed securities, trust preferred securities and other securities. We regularly evaluate the composition of our investment portfolio as the interest rate yield curve changes and may sell investment securities from time to time to adjust our exposure to interest rates or to provide liquidity to meet loan demand.

Market Area

Locations. Meridian Bank is headquartered in Malvern and has five full-service branches. Its main branch, in Paoli, serves the Main Line. The West Chester and Media branches serve Chester and Delaware counties, respectively, while the Doylestown and Blue Bell branches serve Bucks and Montgomery counties. An additional branch is scheduled to open in Philadelphia in November 2017. These branches will provide new "Relationship Hubs" for our regional lending groups and allow Meridian to proceed in its plan for serving markets in each of the central (at or near the county seat) townships of the counties in and surrounding Philadelphia. In addition to our deposit taking branches, there are currently 17 other offices, including commercial loan production offices and headquarters for Corporate, the Wealth Division and the Mortgage Division. Other than our corporate headquarters, all of our offices are leased.

Branch locations:

- Paoli Branch – 1176 Lancaster Avenue, Paoli, PA 19301
- West Chester Branch – 16 W. Market Street, West Chester, PA 19382
- Media Branch – 100 E. State Street, Media, PA 19063
- Doylestown Branch – 1719A S. Easton Road, Doylestown, PA 18901
- Blue Bell Branch – 653 Skippack Pike, Ste. 116, Blue Bell, PA 19422
- Philadelphia Branch – 1760 Market Street, Philadelphia, PA 19103 (*opening November 2017*)

Other offices:

- Corporate Headquarters – 9 Old Lincoln Highway, Malvern, PA 19355
- Mortgage Headquarters – 920 Germanton Pike, Plymouth Meeting, PA 19462
- Meridian Wealth – 1000 Germantown Pike, Plymouth Meeting PA 19462
- Mortgage Loan Production Office – 1601 Concord Pike, Suite 45, Wilmington, DE 19803
- Mortgage Loan Production Office – 5301 Limestone Road, Suite 202, Wilmington, DE 19801
- Mortgage Loan Production Office – 22128 Sussex Highway, Seaford, DE 19973
- Mortgage Loan Production Office – 111 Continental Drive, Suite 406, Newark, DE 19713
- Mortgage Loan Production Office – 1215 Manor Drive, Mechanicsburg, PA 17055
- Mortgage Loan Production Office – 7051 Camphill Road, Fort Washington, PA 19034
- Mortgage Loan Production Office – 350 Highland Drive, Suite 160, Mountville, PA 17554
- Mortgage Loan Production Office – 1000 Crawford Place, Mt. Laurel, NJ 08054
- Mortgage Loan Production Office – 2330 New Road, Northfield, NJ 08225
- Mortgage Loan Production Office – One Neshaminy Interplex, Trevose, PA 19053
- Mortgage Loan Production Office – 1909 Veterans Highway, Levittown, PA 19056
- Mortgage Loan Production Office – 711 Spring Street, Wyomissing, PA 19610
- Mortgage Loan Production Office – 347 2nd Street, Suite 4, Southampton, PA 18966
- Mortgage Loan Production Office – 1221 College Park Drive, Suite 118, Dover, DE 19904
- Commercial Loan Office – 20 Commerce Drive, Wyomissing, PA 19610

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

Housing Market. We believe that the Philadelphia housing market is quite strong compared to national trends. Builders are seeing the potential demand of the next wave of buyers as they reach milestone events (i.e., getting married, starting careers, having children, etc.). As shown in the demographic chart above, the median age of the five county area falls between 34 and 43 years old. Because of this, builders are catering to the next generation of buyers, whether they are a first time buyer or a core buyer looking to be located in a good school district in suburban Philadelphia.

Our Competition

The primary service area, and all of the Delaware Valley, has undergone a major change in the banking structure over the past ten years. The merger activity that has occurred since 2009 when the recession began was significant to financial institutions in terms of retail deposits and small business services. The mergers caused turmoil for many local customers, and created opportunities for other banks to seize deposit and loan market share. The more recent post-recession purchases of larger regional banks have created a similar environment in our market area. When these banks consolidated, customers were affected by new fee structures, branch closings and centralized services that were, in many cases, moved several hundred miles away, often causing them to seek new locally-based institutions to satisfy their banking needs.

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

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

Risk Management

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

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

Enterprise risk management

Overview

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

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

- implement our strategic direction;

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

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

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

Risk Culture

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

Risk Framework

<u>Three Lines of Defense</u>

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

<u>Risk Reporting</u>

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

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

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

Internal Controls

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

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

Risk Categories

Meridian's ERM program and policy envisions broad risk management across the following risk categories:

Credit Risk

Credit risk is the risk that borrowers or counterparties will be unable or unwilling to repay their obligations in accordance with the underlying contractual terms and the risk that credit assets will suffer significant deterioration in market value. This definition, however, encompasses more than the traditional definition associated with lending activities. We manage and control credit risk in our loan and lease portfolio by adhering to well-defined underwriting criteria and account administration standards established by management. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. Any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether recorded on our balance sheet or off the balance sheet, we are exposed to credit risk. Credit risk may also arise where the performance of guarantors is required. In addition, credit risk arises in conjunction with a broad range of non-lending activities, including selecting and purchasing portfolio investments, processing and settling investment transactions with counter-parties and originating ACH transactions.

Written credit policies document underwriting standards, approval levels, exposure limits and other limits or standards deemed necessary and prudent. Portfolio diversification at the obligor, industry and product levels is actively managed to mitigate concentration risk. In addition, credit risk management includes an independent credit review process that assesses compliance with commercial, real estate and consumer credit policies, risk rating standards and other critical credit information. In addition to implementing risk management practices that are based upon established and sound lending practices, we adhere to sound credit principles. We understand and evaluate our customers' borrowing needs and capacity to repay, in conjunction with their character and history.

The Credit Committee of our board of directors provides oversight of our credit risk management function. The Credit Committee oversees the risk appetite, the development of policies, practices and systems for measuring credit risk and monitors the performance and quality of our credit portfolio. At the management level, our Chief Credit Officer leads this process and has primary oversight, ultimately delegating credit approval authority to our credit officers with the approval of the board of directors and Credit Committee. We believe this robust governance system provides for a fulsome credit approval process.

Our credit officers work closely with our Chief Credit Officer and Credit Committee to monitor lending trends, concentrations, regulations and strategies to ensure underwriting guidance is aligned with our credit philosophy. We review our credit policies regularly and any changes must be approved by our board of directors. Our credit team also produces various credit statistics on our loan and lease portfolio reported to our board on a regular basis.

Our bankers are our first line of defense for assuring credit quality and the integrity of our risk rating process. Our bankers must have an understanding of the nature of the borrower's business, operations, competitive position, financial requirements and the nature and value of the underlying collateral. Our credit department serves as a second line of defense and ensures a uniform approach to the assessment and management of credit by formulating processes and guidelines and defining credit standards. Internal loan review is outsourced to a major independent firm and serves as a third line of defense and reports to the audit committee through the Chief Credit Officer. The firm conducts semi-annual onsite reviews. The firm independently selects the sample of loans for review. These credit management practices build and strengthen our banking relationships with our customers while identifying potential issues in a proactive manner to avoid unnecessary risk.

Interest Rate and Market Risk

Interest rate and market risk is the risk to a bank's earnings and value resulting from movements in market rates or prices, such as interest rates, foreign exchange rates or equity prices. This type of risk focuses on the economic scenarios relative to the value of the bank in the current interest rate environment, and the sensitivity of that value to changes in interest rates. Market risk occurs due to: (1) differences between the timing of rate changes and the timing of cash flows (re-pricing risk); (2) changing rate relationships among different yield curves affecting bank activities (basis risk); (3) changing rate relationships across the range of maturities (yield curve risk); and (4) interest-related options, if any, embedded in bank products (options risk).

Valuation of interest rate risk must also consider the potential effect on fee income, which is sensitive to changes in interest rates. Changes in interest rates may have a significant effect on other areas of risk. For example, market risk can impair our liquidity position. It also potentially affects earnings if we are unable to meet our obligations when they come due without incurring unacceptable losses (i.e., liquidating investments that declined in value due to rising interest rates). This risk may expose us to increased liquidity risk, reputation risk, regulatory action or financial loss.

Our management of interest rate risk is overseen by our Asset and Liability Committee, which is chaired by our Chief Financial Officer based on a risk management infrastructure approved by our board of directors that outlines reporting and measurement requirements. In particular, this infrastructure sets limits and management targets, calculated monthly, for various interest rate-related metrics, including our economic value sensitivity, our economic value of equity and net interest income simulations involving parallel shifts in interest rate curves, steepening and flattening yield curves and various prepayment and deposit duration assumptions. Our interest rate management policies also require a periodic review of all key assumptions used, such as identifying appropriate interest rate scenarios, setting loan prepayment rates and deposit durations based on historical analysis, and the targeted investment term of capital.

Liquidity Risk

Liquidity risk is the risk to earnings or capital that arises from a bank's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. It also arises from our failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. Liquidity risk exposure is present in various funding situations, but primarily deposit and lending activities. Again, interest rate and price risk affect our liquidity position. This type of risk exposes us to regulatory action, financial loss, or damage to our reputation.

Operational and Transactional Risk

We provide or are reliant on outsiders to provide processing activities supporting the delivery of services or products to end customers. Operational risk arises from the potential that inadequate information systems, inefficient or ineffective process design, operational problems, inadequate delivery of outsourced activities, breaches in internal controls, fraud or unforeseen catastrophes will result in unexpected losses. Operational risk includes both transaction and strategic risk. Transaction risk is the risk to earnings or capital arising from problems with service or product delivery and may include potential financial losses from human error or fraud, inappropriate data usage, non-routine or complex transactions, incomplete information, non-compliance with policies and procedures and related decision-making or operational disruption. Transaction risk may exist in all products and services and is a function of the adequacy of internal control and information systems, employee integrity, management policies, and operating processes. This type of risk ultimately affects our ability to establish new relationships or services or to continue servicing existing relationships, and may result in damage to our reputation.

Technology Risk

Technology risk considers the level of use, sophistication, complexity, robustness, ease of use and speed and accuracy of recovery/replacement of systems. It is possible that we have an inadequate technology infrastructure and related technical support to properly process daily transactions, keep customer information private, restrict access to sensitive bank data, provide timely and accurate board and management information for key decision-making and disable the bank in the event of a disaster. There is a potential that critical systems are unstable or unavailable, threatening the delivery of operations and processes. There are risks of natural disasters, catastrophic events, or terrorist attacks that significantly impact our ability to sustain activities. Since technology is constantly changing, risk exposure requires continuous monitoring by management.

Compliance and Legal Risk

As with all community banks, Meridian Bank's directors, management, and staff must operate in compliance with a myriad of laws, rules and regulations. Compliance risk arises from violations of or nonconformance with those laws, regulations, or prescribed practices which govern our activities. Legal risk arises from the potential that unenforceable contracts, lawsuits, or adverse judgments can disrupt or otherwise negatively affect the operations or condition of a banking organization. Legal risk also arises from violations of or nonconformance with laws, regulations, prescribed practices or industry standards, or ethical standards. Compliance and legal risks may potentially subject the bank and its directors and officers to fines, civil money penalties or restrictions on activities imposed by regulators and result in lawsuits by customers and others. Exposure to compliance and legal risks can also dramatically affect our reputation, strategic alternatives, and operations.

Reputation Risk

Reputation risk is the potential that negative publicity regarding a bank's business practices will cause a decline in the customer base, costly litigation, or revenue reductions, often as a result of poor earnings, regulatory censure, significant fraud or litigation and failure to provide services or products in conformity to the local market. This type of risk affects our ability to establish new relationships or services or to continue servicing existing relationships. Reputation risk exposure is present throughout the bank and is driven to a large extent by our actions to manage compliance, strategic, credit, interest rate and other risks.

Strategic Risk

Strategic risk is the risk that certain business decisions made today may have a negative impact on earnings in the future. Strategic risk can result from the miscommunication or improper implementation of strategic decisions. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed to support achievement of those goals, and the quality of implementation. Strategic risk includes ineffective organizational structure, lack of appropriate governance, misalignment of business and technology strategic plans, or improper market positioning (e.g., retail delivery strategies, geographic positioning, etc.) and pricing of products and services. Strategic risk is managed by appropriate organizational governance. Failure to adequately plan and execute against organizational goals may result in significant damage to our reputation.

The following categories are generally addressed within the primary risk categories noted above from a reporting perspective:

Financial Reporting Risk

The risk that our financial reporting is inaccurate, incomplete or untimely due to a variety of factors, including the pace of change, the amount of uncertainty, the presence of a large error, or the pressure on management to meet investor expectations. This includes risk that our board of directors and management will be unable to meet financial goals and be pressured by investor expectations or other market forces to take unwise or inappropriate actions to report results which meet market expectations. Materiality is a key factor affecting this risk. The nature and magnitude of financial reporting errors is, therefore, a consideration. Volatility in financial results due to rapid changes in our business and the presence of significant estimates (accruals, adjustments or reserves that are subjective and difficult to accurately quantify and/or associate with the occurrence of business events) could cause financial results to be significantly misstated.

People/Culture Risk

This risk addresses cultural factors in the bank such as the ethical tone of the board of directors and management, the type of behaviors encouraged by and methods of reward used in its incentive systems and the approach to and consistency of enforcement of policies and procedures in the bank. We may be unable to attract, train and retain individuals with this focus. The selection, screening and training of our employees, the complexity of the learning curve to perform the unit's work and the nature and pace of turnover are key factors in this risk. A lack of clear roles and responsibilities, deficient values, integrity and ethics could compromise employee performance, and hence, our success. Insufficient performance incentives or incentives that are unrealistic or misunderstood could cause employees to act in an inappropriate manner. The length, consistency and nature of business relationships with vendors and customers, including the handling of sensitive or confidential information and the risk that business interruption, would seriously impact those relationships is considered.

Fraud Risk

This risk addresses the structure of business activities and transaction processing and the business unit's susceptibility to both internal and external fraud. The likelihood and ease of inappropriate management or officer override as well as the timeliness, accuracy and completeness of fraud protection and monitoring activities should be considered. The nature (liquidity, value and access) of the products and assets of the business is critical to the assessment of fraud risk. Additionally, fraud risk incorporates intentional misstatement of financial reporting regardless of whether assets or products are misappropriated. Fraudulent financial reporting, misappropriation of assets, expenditures and liabilities for improper purposes, fraudulently obtained revenue and assets, and costs and expenses avoided, internal fraud , external crime and external fraud can be managed through an effective system of control activities.

Our enhanced due diligence policy is fundamental to our Bank Secrecy Act ("BSA")/Anti-Money Laundering ("AML") compliance program. The goal of our Enhanced Due Diligence policy and program is to develop and maintain an awareness of the unique financial details of our customers and the ability to predict the type and frequency of transactions in which our customers are likely to engage. In doing so, we can better identify, research and report suspicious activity as required by BSA regulations. The BSA Officer/Senior Compliance Officer/Compliance Committee/Community Reinvestment Act Committee assists the board of directors in discharging its responsibility to ensure we maintain an effective BSA/AML control structure. Our BSA policy and program includes annual BSA/AML and Office of Foreign Assets Control risk assessments.

Credit and Related Lending Policies

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

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

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

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

Policies and Procedures

We promote a culture of compliance that starts at the top of our organization and emphasizes standards of honesty and integrity. Our Policy Committee reviews and approves management-level policies and recommends to the board of directors approval of the board-level policies. Our risk management culture is further supported by a Procedure Committee that monitors our procedures and forms for compliance with the policies approved by the board and the Policy Committee. We also have a whistleblower process to allow for independent reporting of any related issues.

Legal and Regulatory Proceedings

We operate in a highly regulated environment. From time to time we are a party to various litigation matters incidental to the conduct of our business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

SUPERVISION AND REGULATION

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

Regulatory Agencies

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

Permissible Activities for Bank Holding Companies

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

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

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

Permissible Activities for Banks

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

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

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

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

Acquisitions by Bank Holding Companies

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

Dividends

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

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

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

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

Parity Regulation.

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

Transactions with Affiliates and Insiders

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

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

Source of Strength

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

Regulatory Capital Requirements

The Federal Reserve monitors the capital adequacy of the holding company on a consolidated basis, and the FDIC and the PDBS monitor the capital adequacy of the bank. The banking regulators use a combination of risk-based guidelines and a leverage ratio to evaluate capital adequacy. The risk-based capital guidelines applicable to us are based on the Basel Committee's December 2010 final capital framework, known as Basel III, as implemented by the federal banking regulators. The risk-based guidelines are intended to make regulatory capital requirements sensitive to differences in credit and market risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. However, in May 2015, amendments to the Federal Reserve's small bank holding company policy statement (the "SBHC Policy") became effective which increased the asset threshold to qualify to utilize the provisions of the SBHC Policy from $500 million to $1.0 billion. Bank holding companies which are subject to the SBHC Policy are not subject to compliance with the regulatory capital requirements set forth in the discussion below until they exceed $1.0 billion in assets. As a consequence, if the holding company was in existence as of the date hereof, the holding company would not be required to comply with the requirements set forth below until such time that its consolidated total assets exceed $1.0 billion or the Federal Reserve were to determine that the holding company is no longer deemed to be a small bank holding company.

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

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

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

When fully phased-in, the Capital Rules will require us to maintain an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios of (i) 7% CET1 to risk-weighted assets, (ii) 8.5% Tier 1 capital to risk-weighted assets, (iii) 10.5% total capital to risk-weighted assets and (iv) a minimum leverage ratio of 4%.

The Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Implementation of the deductions and other adjustments to CET1 began on January 1, 2015 and will be phased in over a four-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The Capital Rules also generally preclude certain hybrid securities, such as trust preferred securities, from being counted as Tier 1 capital for most bank holding companies. Bank holding companies who had less than $15 billion in assets as of December 31, 2009 (and who continue to have less than $15 billion in assets) are permitted to include qualifying trust preferred securities issued prior to May 19, 2010 as Additional Tier 1 capital under the Capital Rules, however.

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

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

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

Liquidity Regulations

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

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

Prompt Corrective Action Framework

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

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

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

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

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

Safety and Soundness Standards

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

Deposit Insurance

FDIC insurance assessments

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

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

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

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

Other assessments

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

The Volcker Rule

The Dodd-Frank Act, pursuant to a statutory provision commonly called the "Volcker Rule", prohibits banks and their affiliates from engaging in proprietary trading and investing in and sponsoring hedge funds and private equity funds. The Volcker Rule, which became effective in July 2015, does not significantly affect the operations of Meridian and its subsidiaries, as we do not have any significant engagement in the businesses prohibited by the Volcker Rule.

Depositor Preference

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

Interstate Branching

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

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

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

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

Consumer Financial Protection

We are subject to a number of federal and state consumer protection laws that extensively govern our relationship with our customers. These laws include the Equal Credit Opportunity Act ("ECOA"), the Fair Credit Reporting Act, the Truth in Lending Act ("TILA"), the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Home Mortgage Disclosure Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, Fair Credit Reporting Act, the Service Members Civil Relief Act, the Right to Financial Privacy Act, Telephone Consumer Protection Act, CAN-SPAM Act, and these laws' respective state-law counterparts, as well as state usury laws and laws regarding unfair and deceptive acts and practices. These and other federal laws, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, restrict our ability to raise interest rates on extensions of credit and subject us to substantial regulatory oversight. Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees. Federal banking regulators, state attorneys general and state and local consumer protection agencies may also seek to enforce consumer protection requirements and obtain these and other remedies, including regulatory sanctions, customer rescission rights, action by the state and local attorneys general in each jurisdiction in which we operate and civil money penalties. Failure to comply with consumer protection requirements may also result in our failure to obtain any required bank regulatory approval for merger or acquisition transactions we may wish to pursue or our prohibition from engaging in such transactions even if approval is not required.

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

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

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

Federal Home Loan Bank Membership

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

Ability-To-Pay Rules and Qualified Mortgages

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

Commercial Real Estate Guidance

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

Leveraged Lending Guidance

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

Community Reinvestment Act of 1977

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

Financial Privacy

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

Anti-Money Laundering and the USA PATRIOT ACT

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

Office of Foreign Assets Control Regulation

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

Incentive Compensation

The Federal Reserve will review, as part of the regular, risk-focused examination process once the holding company formation is completed, the incentive compensation arrangements of banking organizations, such as us, that are not "large, complex banking organizations." These reviews will be tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

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

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

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

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

Cybersecurity

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

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ an in-depth, layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. We employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of our defensive measures, the threat from cyberattacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date, we have not experienced a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, our systems and those of our customers and third party service providers are under constant threat and it is possible that we could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers.

Future Legislation and Regulation

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

MANAGEMENT

Executive Officers

Christopher J. Annas (61) - Mr. Annas has been the founder, Chairman, President and CEO of the bank since its opening in 2004. Prior to starting Meridian, Mr. Annas has held executive positions with various community banks in the Delaware Valley since 1986. Mr. Annas has over 30 years of banking experience in various commercial lending capacities. Mr. Annas currently serves on the Foundation Board of Paoli Hospital and on the Community Bank Council of the American Bankers Association. He is a former Board member of the Chester County Chamber of Business and Industry and former Board member of the Peoples Light and Theatre. In 2016, Mr. Annas was named one of the Most Admired CEOs by Philadelphia Business Journal. Mr. Annas brings to the board additional qualifications, including his experience as a CEO in the banking industry, his knowledge of and history with the bank, and his expertise in planning and execution, leadership and management, and new business development.

Denise Lindsay (50) – Ms. Lindsay is the Executive Vice President and Chief Financial Officer of the bank. Ms. Lindsay is responsible for asset-liability management, treasury, financial reporting and budgeting. She also oversees compliance and risk management. Before joining the bank, Ms. Lindsay was the Vice President and Controller of DNB First, a publically-held community bank in Downingtown, PA. Prior to that time she was a Senior

Accountant for KPMG, LLP. Ms. Lindsay serves as the Vice Chairman of the Board of Advisors for the Upper Main Line YMCA and recently received their Volunteer of the Year award for Mission Advancement. She also served on the Member Advisory Board of the Federal Home Loan Bank – Philadelphia region. Ms. Lindsay has 25 years' experience in bank financial management, is a Certified Public Accountant and a member of the Financial Managers Society and PICPA. In 2016, Ms. Lindsay was recognized by the Philadelphia Business Journal as one of the 'Women to Watch in Banking". Ms. Lindsay brings to the board additional qualifications, including her industry knowledge gained through her prior employment in a business related to banking, her financial background, and her experience in corporate governance from her past service on several boards of directors.

Charles D. Kochka (60) – Mr. Kochka is the Executive Vice President and Chief Lending Officer of the bank. Since January 2017, Mr. Kochka has been responsible for all of commercial and consumer lending in the bank. Mr. Kochka started at Meridian Bank in 2010 and has more than 38 years' experience in commercial lending in the Delaware Valley and worked with Mr. Annas for 3 years prior to Meridian. He graduated from Bucknell University in 1978 with a Bachelor of Arts degree in Economics. He currently volunteers for Seedcopa, where he sits on the Board of Directors, Executive Committee and Loan Review Committee, and for the United Way of Chester County, where he is currently the Board Chair. He has also served as the Board Chair of the West Chester YMCA, and in 2015 was awarded the Gary R. Green Community Impact Award by the YMCA of Greater Brandywine. In 2011 he was voted a "Best Banker" in the Delaware Valley in a Smart CEO Magazine Readers poll.

Joseph L. Cafarchio (60) – Mr. Cafarchio is the Executive Vice President and Chief Credit Officer of the bank. He was our Chief Lending Officer from our inception in 2004 until January 2017. Mr. Cafarchio is responsible for all aspects of credit underwriting and administration. Prior to joining the bank, he spent four years at the Federal Reserve Bank of Philadelphia and has 30 years in Commercial Lending in the Philadelphia area. He graduated cum laude from the University of Pennsylvania in 1983 with a Bachelor of Business Administration. He is a former Board member of the West Chester Area YMCA and was Charter President of the Exton Exchange Club. Mr. Cafarchio also volunteers for various charities and music fundraisers.

Non-Employee Directors

Our board of directors consists of eight members, including our Chief Executive Officer and Chief Financial Officer. We expect all of our directors to continue to serve on our board of directors following the completion of this offering.

Robert M. Casciato (65) – Mr. Casciato is a founding partner of Alliance Environmental Systems, Inc., a West Chester company that was established in 1994. Alliance Environmental provides environmental remediation, selective demolition, structural demolition and asbestos abatement in the Mid-Atlantic region. Alliance was named Business of the Year in 2003 by the Chamber of Commerce of Greater West Chester. Mr. Casciato is also a partner in the RMC/SDI Real Estate Partnership, located in West Chester, specializing in brownfields redevelopment in Chester County. Mr. Casciato is the past Treasurer of the French and Pickering Creeks Conservation Trust. Mr. Casciato was a founding director of the bank and brings to the board additional qualifications, including his experience as a successful local businessman with close ties to the community, his knowledge of and history with the bank and his expertise in the local real estate industry.

George C. Collier (70) - Mr. Collier is the Executive Vice President & Chief Financial Officer of Streamlight, Inc., a leading manufacturer of high-performance lighting equipment for professional fire fighting, law enforcement, industrial and outdoor applications. Mr. Collier is active in the National Fallen Firefighters and Concerns of Police Survivors (COPS) organizations, which are national support groups for survivors of firefighters and policemen that have died on the job. Mr. Collier was a founding director of the bank and brings to the board additional qualifications, including his financial background, his work experience, and his knowledge of and history with the bank.

Robert T. Holland (68) - Mr. Holland is our Lead Independent Director. He is the Principal of the Holland Advisory Group, LLC a management consulting firm and is a Group Chair with Vistage International, a CEO mentoring and coaching organization. Mr. Holland founded c.p. Allstar Corporation, a manufacturer of garage door and gate openers and remote radio control devices in 1997 and sold the business in 2007. Prior to starting c.p. Allstar Corporation, Mr. Holland was the Chief Financial Officer of a publicly traded diversified manufacturing company for seven years. Prior to that time, Mr. Holland was a managing partner in MacDade Abbott & Co., a regional accounting firm headquartered in Paoli, PA, for 15 years. Mr. Holland serves on the West Goshen Planning Commission, the West

Goshen Pension Board as well as board positions for several not for profit and charitable organizations. He was recently recognized as an Outstanding Director by the Philadelphia Business Journal. Mr. Holland is a Certified Public Accountant and member of the AICPA and PICPA. Mr. Holland brings to the board additional qualifications, including his financial background and his public company knowledge, including knowledge gained from his experience from his past employment with a public company.

Edward J. Hollin (63) – Mr. Hollin is shareholder, member of the executive committee and chief operating officer of Riley Riper Hollin & Colagreco, a suburban Philadelphia law firm headquartered in Exton, Pennsylvania. Founded in 1984, Riley Riper Hollin & Colagreco focuses its practice on real estate, commercial transactions, litigation, labor law and estate and business planning, representing some of the largest homebuilders and commercial real estate developers in the country, as well as a variety of financial institutions and entrepreneurs. Mr. Hollin serves on boards and committees of several local organizations, including the Delaware Valley Chapter of the Cystic Fibrosis Foundation, and is solicitor for and a member of the executive committee of South Eastern Economic Development Company of Pennsylvania, a non-profit SBA certified development company. Mr. Hollin brings to the board additional qualifications, including his career as an attorney with a regional law firm and his substantial experience in advising companies, as well as his experience in assisting businesses with a wide variety of legal and regulatory issues.

Anthony M. Imbesi (43) – Mr. Imbesi is Vice President of Patriarch Management, a private real estate investment firm which owns, manages, and develops commercial real estate. He also is a member of the Drexel Lebow School Finance Advisory Council. In addition, Mr. Imbesi is a trustee for the Patriarch Family Foundation, which supports education, health, and well being in the Delaware Valley. Mr. Imbesi is a graduate of Villanova University and received his MBA from Drexel University. Mr. Imbesi brings to the board additional qualifications, including his financial background, his substantial experience in local real estate, and his experience in corporate governance from his service on several advisory boards.

Kenneth H. Slack (75) - Mr. Slack is a Partner in Stephano Slack LLC, a public accounting firm that provides both local and international clients with financial reporting, tax and business advisory services. Mr. Slack has been in public accounting in the West Chester area for more than 30 years. Prior to that, he worked many years in the manufacturing and distribution industries as a senior financial executive in Pennsylvania and Florida. Mr. Slack currently serves on several local boards including the Chester County Hospital and The Foundation Board of the Chester County Chamber of Business & Industry, and previously on the Delaware County Attorney-CPA Forum, Camp Cadet of Chester County, and the United Way of Chester County, where he was a past Treasurer. He is a member of the AICPA, PICPA and FICPA. Mr. Slack brings to the board additional qualifications, including his financial background, his experience in corporate governance from service on several boards of directors, and his qualification as a Certified Public Accountant.

Composition of Our Board of Directors

Our board of directors has eight members. Under our articles of incorporation, the number of directors constituting our board of directors will be fixed from time to time by resolution of our board of directors. Each of our directors is currently elected for a three-year term, with roughly one-third of our board of directors up for election at each annual meeting of shareholders.

Board Leadership Structure and Qualifications

We believe that our directors should have the highest professional and personal ethics and values, consistent with our longstanding values and standards. They should have broad experience at the policy-making level in business, government or banking. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Each director must represent the interests of all shareholders. When considering potential director candidates, our board of directors considers the candidate’s character, judgment, diversity, skills, including financial literacy, and experience in the context of our needs and those of the board of directors. Our board also considers the candidate’s service on boards of other companies and whether such service would impair the candidate’s ability to perform responsibly all director duties for Meridian.

Our board of directors does not have a formal policy requiring the separation of the roles of Chief Executive Officer and Chairman of the Board. It is the board of directors' view that rather than having a rigid policy, the board of directors, with the advice and assistance of the governance and nominating committee, and upon consideration of all relevant factors and circumstances, will determine, as and when appropriate, whether the two offices should be separate. Currently, our leadership structure combines the offices of Chief Executive Officer and Chairman of the Board, with Mr. Annas serving as Chairman of the Board and as our Chief Executive Officer.

Director Independence

Under the rules of Nasdaq, independent directors must comprise a majority of our board of directors not later than the first anniversary date of this offering. The rules of Nasdaq, as well as those of the SEC, impose several requirements with respect to the independence of our directors. Our board of directors has undertaken a review of the independence of each director in accordance with these rules. Based on information provided by each director concerning his background, employment and affiliations, our board of directors has determined that Robert M. Casciato, George C. Collier, Robert T. Holland, Edward J. Hollin, Anthony M. Imbesi and Kenneth H. Slack do not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our shares by each non-employee director.

Committees of Our Board of Directors

The standing committees of our board of directors consist of an audit committee, a compensation committee, and a risk committee. The board intends to form a governance and nominating committee following the completion of this offering. The responsibilities of these committees are described below. Our board of directors may also establish such other committees as it deems appropriate, in accordance with applicable law and regulations and our corporate governance documents.

The board of directors is currently led by Christopher Annas, who serves as Chairman and CEO, and by Robert T. Holland, who serves as the board's Lead Independent Director. All independent directors meet in Executive Session after each regularly scheduled Board of Directors meeting. Independent board committees consist of loan, audit, and compensation, and will include the nominating committee following completion of the offering.

The Lead Independent Director is appointed for a term of one year and, in consultation with the other independent directors, is responsible for:

- providing the Chairman with input regarding the agendas and materials for the Board meetings;
- meeting with the Chairman and independent directors as appropriate;
- chairing all Board meetings at which the Chairman is not present, including executive sessions of the independent directors;
- calling meetings of the independent directors as appropriate;
- serving as an unofficial member of all Board committees of which he is not a member; and
- performing such other duties that the Board may from time to time delegate.

The members of the loan committee are: Christopher Annas, Joseph Cafarchio, Robert Casciato, Robert Holland, Edward Hollin, and Kenneth Slack. Mr. Casciato is Chair of the committee. During 2016, the committee met twelve times.

The risk management committee is comprised of Christopher Annas, Denise Lindsay, Joseph Cafarchio, as well as all of the independent directors. Ms. Lindsay is Chair of the committee. During 2016, the committee met four times.

The members of the compensation committee are: George Collier, Robert Holland and Kenneth H. Slack. Mr. Collier is Chair of the committee. During 2016, the committee met two times.

The members of the audit committee are: Robert Holland, Anthony Imbesi and Kenneth Slack. Mr. Slack is Chair of the committee. During 2016, the committee met 10 times.

During 2016, the Board met 13 times.

Audit committee. The audit committee assists the board of directors in fulfilling its responsibilities for general oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, the performance of our internal audit function and independent auditors and risk assessment and risk management. Among other things, upon completion of this offering, the audit committee will:

- annually review the audit committee charter and the committee's performance;
- appoint, evaluate and determine the compensation of our independent auditors;
- review and approve the scope of the annual audit, the audit fee, the financial statements, significant accounting policy changes, material weaknesses identified by outside auditors or the internal audit function and risk management issues;
- prepare the audit committee report for inclusion in our proxy statement for our annual meeting;
- review disclosure controls and procedures, internal controls, internal audit function and corporate policies with respect to financial information;
- assist the board of directors in monitoring our compliance with applicable legal and regulatory requirements;
- oversee investigations into complaints concerning financial matters, if any; and
- review other risks that may have a significant impact on our financial statements.

The audit committee works closely with management as well as our independent auditors. The audit committee has the authority to obtain advice and assistance from, and receive appropriate funding to engage outside legal, accounting or other advisors as the audit committee deems necessary to carry out its duties. The audit committee has adopted a written charter that among other things, specifies the scope of its rights and responsibilities. The charter is available on our website at www.Meridianbanker.com.

The audit committee is composed solely of members who satisfy the applicable independence, financial literacy and other requirements of Nasdaq for audit committees, and at least one of its members, following the completion of the offering, will be designated an "audit committee financial expert". Each member of the audit committee also qualifies as an independent director under the independence requirements of Rule 10A-3 of the Exchange Act.

Compensation committee. The compensation committee is responsible for discharging the board's responsibilities relating to compensation of our executive officers and directors. Among other things, upon completion of this offering, the compensation committee will:

- evaluate human resources and compensation strategies;

- review and approve objectives relevant to executive officer compensation;
- evaluate performance and determine the compensation of the Chief Executive Officer in accordance with those objectives;
- approve any changes to non-equity-based benefit plans involving a material financial commitment;
- recommend to the board of directors compensation for directors;
- prepare the compensation committee report required by SEC rules to be included in our annual report; and
- evaluate performance in relation to the compensation committee charter.

The compensation committee has adopted a written charter that among other things, specifies the scope of its rights and responsibilities. The charter is available on our website at www.Meridianbanker.com. The compensation committee is composed solely of members who satisfy the applicable independence requirements of Nasdaq for compensation committees.

Governance and nominating committee. The governance and nominating committee will be responsible for making recommendations to our board of directors regarding candidates for directorships and the size and composition of our board of directors. In addition, the governance and nominating committee will be responsible for overseeing our corporate governance guidelines and reporting and making recommendations to our board of directors concerning governance matters. Among other things, the governance and nominating committee will:

- identify individuals qualified to be directors consistent with the criteria approved by the board of directors, subject to any waivers granted by the board, and recommend director nominees to the full board of directors;
- ensure that the audit and compensation committees have the benefit of qualified "independent" directors;
- oversee management continuity planning;
- lead the board of directors in its annual performance review; and
- take a leadership role in shaping the corporate governance of our organization.

Upon completion of the offering, the governance and nominating committee will be composed solely of members who satisfy the applicable independence requirements of Nasdaq for governance and nominating committees. The governance and nominating committee will adopt a written charter that among other things, will specify the scope of its rights and responsibilities. The charter will be made available on our website at www.Meridianbanker.com.

Risk committee. The risk committee is responsible for overseeing our enterprise-risk management policies, commensurate with our capital structure, risk profile, complexity, size and other risk-related factors:

- monitor our overall risk profile and review risk management policies;
- monitor our process to identify, assess and manage risks that could prevent us from achieving our business objectives;
- oversee actions relating to interest rate risk and liquidity risks;
- oversee actions relating to the activities of our enterprise risk management oversight groups; and

- facilitate communication among management, the board of directors and our enterprise risk management oversight groups.

The risk committee has adopted a written charter that specifies among other things, the scope of its rights and responsibilities.

Board Oversight of Risk Management

Our board of directors believes that effective risk management and control processes are critical to our safety and soundness, our ability to predict and manage the challenges that we face and, ultimately, our long-term corporate success. Our board of directors, both directly and through its committees, is responsible for overseeing our risk management processes, with each of the committees of our board of directors assuming a different and important role in overseeing the management of the risks we face.

The risk committee of our board of directors oversees our enterprise-wide risk management framework, which establishes our overall risk appetite and risk management strategy and enables our management to understand, manage and report on the risks we face. Our risk committee also reviews and oversees policies and practices established by management to identify, assess, measure and manage key risks we face, including the risk appetite metrics developed by management and approved by our board of directors. The audit committee of our board of directors is responsible for overseeing risks associated with financial matters (particularly financial reporting, accounting practices and policies, disclosure controls and procedures and internal control over financial reporting) and engaging as appropriate with our risk committee to assess our enterprise-wide risk framework. The compensation committee of our board of directors has primary responsibility for risks and exposures associated with our compensation policies, plans and practices, regarding both executive compensation and the compensation structure generally. In particular, our compensation committee, in conjunction with our President and Chief Executive Officer and Director of Human Resources and other members of our management as appropriate, reviews our incentive compensation arrangements to ensure these programs are consistent with applicable laws and regulations, including safety and soundness requirements, and do not encourage imprudent or excessive risk-taking by our employees. The governance and nominating committee to be formed by our board of directors will oversee risks associated with the independence of our board of directors and potential conflicts of interest.

Our senior management is responsible for implementing and reporting to our board of directors regarding our risk management processes, including by assessing and managing the risks we face, including strategic, operational, regulatory, investment and execution risks, on a day-to-day basis. Our senior management is also responsible for creating and recommending to our board of directors for approval appropriate risk appetite metrics reflecting the aggregate levels and types of risk we are willing to accept in connection with the operation of our business and pursuit of our business objectives.

The role of our board of directors in our risk oversight is consistent with our leadership structure, with our President and Chief Executive Officer and the other members of senior management having responsibility for assessing and managing our risk exposure, and our board of directors and its committees providing oversight in connection with those efforts. We believe this division of risk management responsibilities presents a consistent, systemic and effective approach for identifying, managing and mitigating risks throughout our operations.

Compensation Committee Interlocks and Insider Participation

Upon completion of this offering, none of the members of our compensation committee will be or will have been an officer or employee of Meridian or any of its subsidiaries. In addition, none of our executive officers serve or have served as a member of the board of directors, compensation committee or other board committee performing equivalent functions of any entity that has one or more executive officers serving as one of our directors or on our compensation committee.

Code of Business Conduct and Ethics

Our board of directors will adopt a code of business conduct and ethics (the "Code of Ethics") that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer and persons performing similar functions. The Code of Ethics will be available upon written request to Corporate Secretary, Meridian Bank, Nine Old Lincoln Highway, Malvern, Pennsylvania 19355 and on our website at www.Meridianbanker.com. If we amend or grant any waiver from a provision of our Code of Ethics that applies to our executive officers, we will publicly disclose such amendment or waiver on our website and as required by applicable law, including by filing a Current Report on Form 8-K.

EXECUTIVE AND DIRECTOR COMPENSATION

Summary Compensation Table

The following table sets forth for each of Meridian's executive officers: the dollar value of base salary and bonus earned during the year ended December 31, 2016; the value of stock compensation awarded during the year; all other compensation for the year; and the dollar value of total compensation for the year.

2016 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Option Awards(1)	All Other Compensation (2)	Total
Christopher Annas - Chairman, President and CEO of Meridian	2016	$375,000	$135,000	$26,877	$122,119	$658,996
Denise Lindsay – Chief Financial Officer and EVP of Meridian	2016	$206,875	$60,000	$10,079	$41,027	$317,981
Joseph Cafarchio – Chief Credit Officer and EVP of Meridian	2016	$185,000	$40,000	$4,314	$44,360	$273,674

(1) As required by SEC rules, the amounts in this column represent the aggregate grant date fair values of stock option awards computed in accordance with ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"). The recipient has not presently realized a financial benefit from these awards because none of the stock options granted during 2016 are currently exercisable. For information on the valuation assumptions used in these computations, see Note 14 to our consolidated financial statements for the year ended December 31, 2016.

(2) See below for a description of the amounts that we paid as set forth in this column.

The following table sets forth for each of our executive officers summary information relating to all other compensation paid to them for 2016.

2016 ALL OTHER COMPENSATION TABLE

Name	Year	Perquisites & Other Personal Benefits ($)	Insurance Premiums ($)	Company 401(k)/ESOP/SERP Contributions ($)	Total ($)
Christopher Annas	2016	24,840	25,354	71,925	122,119
Denise Lindsay	2016	-	20,342	20,685	41,027

Joseph Cafarchio	2016	-	17,031	27,329	44,360

The following table sets forth information on outstanding options held by the named executive officers at December 31, 2016, including the number of shares underlying each stock option as well as the exercise price and the expiration date of each outstanding option.

2016 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date
Christopher Annas	15,750 3,937 5,250	5,250 3,938 15,750	$12.38 $14.29 $15.24	7/31/24 9/30/25 6/15/26
Denise Lindsay	7,717 1,968	- 5,907	$11.79 $15.24	4/1/23 3/4/26
Joseph Cafarchio	4,410 1,050	- 1,050	$11.79 $15.24	4/1/23 3/4/26

Narrative Disclosure to Summary Compensation Table

The key components of our compensation program are base salary, discretionary incentive awards and long-term incentives. In addition to those key components, we also provide additional components of compensation. The nature of each of these benefits and our goals and reasons in granting them are discussed further below.

In determining CEO's compensation levels for all of these components, the compensation committee uses its judgment and considers qualitative and quantitative factors. In setting levels of each component, the compensation committee considers factors such as: relevant industry compensation practices; the importance of the executive's position to us compared to other executive positions; and the competitiveness of the compensation we pay the executive in comparison to other financial institutions in our peer group.

Base salary

Meridian establishes base salaries for executive officers according to the scope of their responsibilities. It also considers compensation paid by our competitors for similar positions. For the Chief Executive Officer, the compensation committee considers the executive's performance, the executive's experience, and Meridian's financial performance. The compensation committee also considers the economic conditions and other external events affecting operations and compares compensation practices with those of our competitors.

Discretionary Incentive Awards

Meridian provides discretionary bonuses to our executives and other employees to support and promote the pursuit of our organizational objective and financial goals. This practice permits senior executives and other employees to receive more compensation if the individual meets certain pre-established financial and non-financial performance goals for the year. The performance goals for executives are consistent with our Strategic Plan and Annual Budget and our performance in relation to those plans. Bonuses are paid for achieving our annual financial goals at corporate and business unit levels and for achieving measurable individual annual performance objectives. The compensation committee establishes incentive awards for the Chief Executive Officer. The incentive awards for each officer below the CEO level are established by the CEO.

Long-Term Incentive Program

The final major component of the executive compensation program is long-term incentive compensation such as stock options, restricted stock awards and retirement plans. We believe that a significant portion of executive compensation should be based on value created for our shareholders. We hope that long-term incentives will offer executives the possibility of future value depending on the long-term price appreciation of our common stock and the executives' continuing service with us. We believe that long-term performance is achieved through an ownership culture that encourages long-term performance by our executive officers through the use of stock-based awards.

Meridian Stock Option Plan

The bank maintains a stock option plan, which was adopted in 2016, that is administered by the compensation committee. Within the limits of the plan, the compensation committee has the authority to determine the employees or non-employee directors to whom stock options shall be granted; the time or times at which stock options shall be granted; the amount and form of any stock options, including whether any stock option is structured to be an incentive stock option (ISO); any options granted which fail to satisfy the requirements for incentive stock options shall become nonqualified stock options. In making their determinations, the compensation committee may take into account the nature of the services rendered by the employees or non-employee director, their present and potential contributions to our success and other factors that the compensation committee deems relevant.

The compensation committee, without further action on the part of our shareholders, may from time to time alter, amend or suspend the Plan, or may at any time terminate the Plan, except that it may not, without the approval of the shareholders of the bank, materially increase the total number of shares of Common Stock available for grant under the Plan; materially modify the class of eligible or non-employee director who is subject to the restrictions of Section 16 of the Securities Exchange Act of 1934; or effect a change relating to an ISO granted which is inconsistent with Section 422 of the Internal Revenue Code. No action taken by the compensation committee either with or without the approval of the shareholders of the bank, may materially and adversely affect any outstanding stock option without the consent of the optionee.

Retirement Plan

Supplemental Executive Retirement Deferred Compensation Plan. In February 2008, the board of directors approved a Supplemental Executive Retirement Deferred Compensation Plan (Plan) for its senior officers, effective January 1, 2009. The Plan is a non-qualified executive deferred compensation arrangement which was adopted to provide additional benefits and deferral opportunities to senior officers. Eligible employees may defer portions of their compensation with the maximum amount that may be deferred each plan year being twenty-five percent (25%) of the participant's salary and one-hundred percent (100%) of the participant's bonus or performance-based compensation. In addition, the Plan allows for Meridian to make annual supplemental contributions or discretionary contributions to all or some of the eligible participants.

401(k) Plan. Our bank maintains a 401(k) retirement plan. All employees are eligible to participate after they have attained the age of 21 and have also completed three consecutive months of employment with Meridian or subsidiaries. The employees may contribute up to the maximum percentage allowable by law of their compensation to the Plan. Meridian may make a discretionary matching contribution. An employee is immediately fully vested in his or her own contributions. Vesting of employer discretionary matching contributions occurs in equal amounts each year over a six-year period.

Meridian Bank Employee Stock Ownership Plan

Our bank maintains an Employee Stock Ownership Plan. All employees are eligible to participate after they have attained the age of 21 and have also completed three consecutive months of employment with Meridian. Participants are neither permitted nor required to make contributions to the Plan. Our bank shall match contributions of cash or shares of our common stock, or both, to the Plan to participants who participate in the Meridian 401(k) Plan and are eligible to receive a matching contribution. Additional cash or shares of our common stock may also be contributed to all eligible employees in such amount as may be determined by the Board of Directors in its discretion. Contributions are 100% vested after 3 years of service. There is no partial vesting.

Insurance

All eligible full time employees of Meridian are covered as a group by basic hospitalization, major medical, dental, long-term disability, term life and a prescription drug plan. Meridian pays the total cost of long-term disability and term life insurance. For major medical, dental and the prescription drug plan cost sharing and a co-payment are required.

Employment agreement with Mr. Annas

Our bank has entered into a written employment agreement with Mr. Annas. The term of Mr. Annas' employment agreement continues until December 31, 2020. At the end of that term, the agreement automatically renews for a one-year term unless either Mr. Annas or the bank notifies the other of their intent not to renew the agreement.

The employment agreement provides that Mr. Annas will be paid an annual salary of $425,000 which may be reviewed and increased by the compensation committee. In addition, the employment agreement provides that Mr. Annas is also eligible to receive performance (cash) bonuses and equity awards and will participate in the benefit programs that are provided to our employees and other executives as well as the Supplemental Executive Retirement Plan (discussed above).

Mr. Annas may terminate his employment at any time upon 90 days' written notice to the bank. The bank may terminate Mr. Annas' employment for Cause, as defined, at any time. If Mr. Annas terminates for Good Reason (for example, a material diminution in his responsibilities or a reduction in his base salary, or a requirement to relocate his office more than 50 miles from Malvern, Pennsylvania) or is terminated by the bank without Cause, he is entitled to receive a lump sum equal to 200% (300% if termination is within 12 months after a change in control) of his base salary and performance bonus opportunity in effect as well has 12 months of payments of the employer portion of medical coverage. In the event of a change in control, payments to Mr. Annas will be reduced such that no portion of the payments will not be deductible under Code Section 280G.

Under the employment agreement, Mr. Annas is subject to noncompetition and nonsolicitation provisions that apply during the term of the employment agreement and for a period of two years following termination of employment.

Director Compensation

2016 Director Compensation Table

Information relating to the compensation of Meridian's directors during 2016 is set forth below. Directors who are employed by Meridian are not paid additional compensation for board or committee service. Compensation of non-employee directors is established by the board.

2016 DIRECTOR COMPENSATION TABLE

Director	Fees earned or paid in cash ($)	Stock awards ($)(1)	Total
Robert M. Casciato	$23,500	5,000	$6,719
George C. Collier	$14,750	5,000	$6,719
Robert T. Holland	$46,000	5,000	$6,719
Edward J. Hollin	$30,500	5,000	$6,719
Anthony M. Imbesi	$20,500	5,000	$6,719
Kenneth H. Slack	$34,750	5,000	$6,719

(1) As required by SEC rules, the amounts in this column represent the aggregate dollar amount of stock awards computed in accordance with ASC 718. For information on the valuation assumptions used in these computations, see Note 14 to our consolidated financial statements for the year ended December 31, 2016.

In addition to cash fees, non-employee directors were also eligible to receive compensation in the form of stock options under our stock option plan. Under the stock option plan, each non-employee director may be awarded stock options. Options were granted to non-employee directors in 2016 as noted above.

For 2017, our non-employee directors receive an annual retainer of $16,000. Additionally, our lead director also receives an additional annual retainer of $12,000, with the chairs of each of our audit and loan committees receiving an annual retainer of $12,000. Our non-employee directors also receive an attendance fee for each board and committee attended of $750.

PRINCIPAL SHAREHOLDERS

The following table sets forth information, as of March 31, 2017, regarding the beneficial ownership of our common stock, immediately prior to and immediately after the consummation of this offering, by:

- all persons known by us to own beneficially more than 5% of our outstanding common stock;
- each of our named executive officers;
- each of our directors; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities. A security holder is also deemed to be, as of any date, the beneficial owner of all securities that such security holder has the right to acquire within 60 days after such date through (i) the exercise of any option or warrant, (ii) the conversion of a security, (iii) the power to revoke a trust, discretionary account or similar arrangement or (iv) the automatic termination of a trust, discretionary account or similar arrangement. Except as otherwise indicated, all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws. Except as otherwise indicated, the address for each shareholder listed below is c/o Meridian Bank, Nine Old Lincoln Highway, Malvern, Pennsylvania 19355.

Name	Shares Beneficially Owned [1]	Percent of total shares
Directors and Executive Officers		

Christopher J. Annas[(2)]	232,503	6.3%
Joseph L. Cafarchio[(3)]	9,904	*
Robert M. Casciato[(4)]	67,329	1.8%
George C. Collier[(5)]	9,970	*
Robert T. Holland[(6)]	25,663	*
Edward J. Hollin[(7)]	23,050	*
Anthony M. Imbesi[(8)]	179,544	4.8%
Denise Lindsay[(9)]	31,728	*
Charles Kochka[(10)]	7,164	*
Kenneth H. Slack[(11)]	32,047	*
Total of directors and executive officers[(14)]	618,905	16.79%
Significant shareholders		
EJF Sidecar Fund Series E / EJF Capital LLC[(12)]	363,905	9.9%
Strategic Value Investors LP[(13)]	270,968	7.4%
Streamlight, Inc.[(5)]	195,031	5.3%

(1) Includes shares which may be held in IRAs for which the named individual has the power to vote the shares. Beneficial ownership does not include the unvested portion of stock awards due to lack of voting and disposition power, unless such award will vest within sixty days of September 29, 2017.

(2) Includes options to purchase 39,906 shares of common stock.

(3) Includes options to purchase 5,960 shares of common stock.

(4) Includes options to purchase 5,250 shares of common stock.

(5) Includes options to purchase 5,250 shares of common stock. Mr. Collier is a director and Chief Financial Officer of Streamlight, Inc., but he does not possess power to vote, invest or otherwise control Meridian's shares owned by Streamlight. Mr. Collier disclaims beneficial ownership of the shares owned by Streamlight. Streamlight's address is 30 Eagleville Road, Eagleville, Pennsylvania 19403.

(6) Includes options to purchase 5,887 shares of common stock.

(7) Includes options to purchase 5,887 shares of common stock.

(8) Includes options to purchase 5,887 shares of common stock. Mr. Imbesi's beneficial ownership includes interests owned by Patriarch Holdings LLC as well as Patriarch Meridian Partnership LP, for which he owns 24.75% and is the general partner.

(9) Includes options to purchase 12,904 shares of common stock.

(10) Includes options to purchase 5,361 shares of common stock.

(11) Includes options to purchase 5,250 shares of common stock.

(12) The address of EJF Capital LLC is 2107 Wilson Boulevard, Suite 410, Arlington, Virginia 22201.

(13) The address of Strategic Value Investors LP is 2000 Auburn Drive, Suite 300, Beachwood, Ohio 44122.

(14) Includes options to purchase 103,429 shares of common stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We or one of our subsidiaries may occasionally enter into transactions with certain “related persons”. Related persons include our executive officers, directors, 5% or more beneficial owners of our common stock, immediate family members of these persons and entities in which one of these persons has a direct or indirect material interest. We generally refer to transactions with these related persons as “related party transactions”.

Related Party Transaction Policy

Our board of directors will adopt a written policy governing the review and approval of transactions with related parties that will or may be expected to exceed $120,000 in any fiscal year. The policy will call for the related party transactions to be reviewed and, if deemed appropriate, approved or ratified by our audit committee. Upon determination by our audit committee that a transaction requires review under the policy, the material facts are required to be presented to the audit committee. In determining whether or not to approve a related party transaction, our audit committee will take into account, among other relevant factors, whether the related party transaction is in our best interests, whether it involves a conflict of interest and the commercial reasonableness of the transaction. In the event that we become aware of a related party transaction that was not approved under the policy before it was entered into, our audit committee will review such transaction as promptly as reasonably practical and will take such course of action as may be deemed appropriate under the circumstances. In the event a member of our audit committee is not disinterested with respect to the related party transaction under review, that member may not participate in the review, approval or ratification of that related party transaction.

Certain decisions and transactions are not subject to the related party transaction approval policy, including: (i) decisions on compensation or benefits relating to directors or executive officers and (ii) indebtedness to us in the ordinary course of business, on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable loans with persons not related to us and not presenting more than the normal risk of collectability or other unfavorable features. All loans subject to Regulation O are presented and reviewed by the board of directors.

Related Party Transactions

Our bank makes loans to executive officers and directors of the bank in the ordinary course of its business. These loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time the transaction is originated for comparable transactions with nonaffiliated persons, and do not involve more than the normal risk of collectability or present any other unfavorable features. Federal regulations prohibit the bank from making loans to executive officers and directors of the bank or the bank at terms more favorable than could be obtained by persons not affiliated with the bank or the bank. Our policy towards loans to executive officers and directors currently complies with this limitation. The aggregate outstanding balance of the loans to all executive officers, directors or their affiliates, at December 31, 2016, was $1.8 million. In addition, the bank paid legal fees of $31,000 to a law firm of a director in 2016.

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock is a summary of the material terms of our articles of incorporation and our bylaws. Reference is made to the more detailed provisions of, and the descriptions are qualified in their entirety by reference to, these documents, which are filed with the FDIC as exhibits to the registration statement on Form 10, and applicable law.

General

Our authorized capital stock consists of 10,000,000 shares of common stock, par value $1.00 per share, and 5,000,000 shares of preferred stock, with no stated par value, of which 6,200 shares have been designated Non-Cumulative Perpetual Preferred Stock, Series 2009A (“Series 2009A preferred stock”), 310 shares have been designated Non-Cumulative Perpetual Preferred Stock, Series 2009B (“Series 2009B preferred stock”) and 6,335 shares have been designated Non-Cumulative Perpetual Preferred Stock, Series 2009C ("Series 2009C preferred stock"). As of June 30, 2017, there were issued and outstanding 3,686,405 shares of our common stock, 6,200 shares of our Series 2009A preferred stock, 310 shares of our Series 2009B preferred stock and 6,355 shares of our Series 2009C preferred stock. The authorized but unissued shares of our capital stock will be available for future issuance without shareholder approval, unless otherwise required by applicable law or the rules of any applicable securities exchange. All of our issued and outstanding shares of capital stock are validly issued, fully paid and non-assessable.

Common Stock

Subject to the rights and preferences granted to holders of our preferred stock then outstanding, and except with respect to voting rights, conversion rights and certain distributions of our capital stock, holders of our common stock rank equally with respect to distributions and have identical rights, preferences, privileges and restrictions, including the right to attend meetings and receive any information distributed by us with respect to such meetings.

Dividends. Holders of our common stock are equally entitled to receive ratably such dividends as may be declared from time to time by our board of directors out of legally available funds. In no event will any stock dividends or stock splits or combinations of stock be declared or made on common stock unless the shares of common stock at the time outstanding are treated equally and identically, provided that, in the event of a dividend of common stock, shares of common stock shall only be entitled to receive shares of common stock. The ability of our board of directors to declare and pay dividends on our common stock is subject to the laws of the Commonwealth of Pennsylvania, applicable federal and state banking laws and regulations, and the terms of any senior securities (including preferred stock) we may then have outstanding.

The Pennsylvania Banking Code provides that cash dividends may be declared and paid only out of accumulated net earnings and that, prior to the declaration of any dividend, if the surplus of a bank is less than the amount of its capital, the bank shall, until surplus is equal to such amount, transfer to surplus an amount which is at least 10% of the net earnings of the bank for the period since the end of the last fiscal year or for any shorter period since the declaration of a dividend. If the surplus of a bank is less than fifty percent of the amount of capital, no dividend may be declared or paid without the prior approval of the PDBS until such surplus is equal to fifty percent of the bank's capital.

The FDIA generally prohibits all payments of dividends by any bank which is in default of any assessment of the FDIC.

Voting rights. Each holder of our common stock is entitled to one vote for each share of record held on all matters submitted to a vote of shareholders, except as otherwise required by law and subject to the rights and preferences of the holders of any outstanding shares of our preferred stock. Holders of our common stock are not entitled to cumulative voting in the election of directors. Directors are elected by a plurality of the votes cast.

Liquidation rights. In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in all of our assets remaining after payment of liabilities, including, but not limited to, the liquidation preference of any then outstanding preferred stock. Our rights and the rights of our creditors and shareholders to receive the assets of any subsidiary upon liquidation or recapitalization may be subject to prior claims of our subsidiary's creditors, except to the extent that we may be a creditor with recognized claims against our subsidiary.

Preemptive and other rights. Holders of our common stock are not entitled to any preemptive, subscription or redemption rights, and no sinking fund will be applicable to our common stock.

Preferred Stock

Our articles of incorporation authorize our board of directors to establish one or more series of preferred stock. Unless required by law or any stock exchange, the authorized but unissued shares of preferred stock will be available for issuance without further action by our shareholders. Our board of directors is authorized to divide the preferred stock into series and, with respect to each series, to fix and determine the designation, terms, preferences, limitations and relative rights thereof, including dividend rights, dividend rates, conversion rights, voting rights, redemption rights and terms, liquidation preferences, sinking fund provisions and the number of shares constituting the series. Subject to the rights of the holders of any series of preferred stock, the number of authorized shares of any series of preferred stock may be increased (but not above the total number of shares of preferred stock authorized under our articles of incorporation) or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the outstanding shares. Without shareholder approval, we could issue preferred stock that could impede or discourage an acquisition attempt or other transaction that some, or a majority, of our shareholders may believe is in their best interests or in which they may receive a premium for their common stock over the market price of the common stock.

We have three series of preferred stock outstanding as of the date of this offering circular, the terms of which are summarized below. The Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock have substantially the same rights and privileges.

Outstanding preferred stock

Preferential rights. Our Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock rank senior to our common stock as to dividends, distribution upon the liquidation, dissolution, or winding up of Meridian. Our Series 2009A preferred stock ranks on parity with our Series 2009B preferred stock and Series 2009C preferred stock as to dividends, distributions upon the liquidation, dissolution or winding up of Meridian. Our outstanding preferred stock is not convertible into or exchangeable for any shares of common stock or any other class of Meridian capital stock. Holders of our outstanding preferred stock do not have any preemptive rights. Meridian may issue stock with preferences junior to the Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock without the consent of the holders of such preferred stock.

Dividends. As long as shares of Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock remain outstanding, Meridian cannot declare or pay any dividend or make any other distribution on any common stock, unless at the time of such dividend or other distribution Meridian has paid the required dividend with respect to each outstanding share of outstanding preferred stock, which is 9% per annum. Dividends on the outstanding preferred stock are noncumulative.

Voting rights. Holders of the outstanding preferred stock do not have voting rights other than those described below and as specifically required by Pennsylvania law.

Without the vote or consent of a majority of the Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock then outstanding, voting as a single class with all other classes and series of parity securities having similar voting rights then outstanding, Meridian may not (i) alter or change the provisions of Meridian's articles of incorporation (including any articles of amendment or statement of designations relating to the outstanding preferred stock) or bylaws so as to adversely affect the powers, preferences or rights of the holders of shares of the outstanding preferred stock or (ii) merge or consolidate with another entity where Meridian is not the surviving corporation and the outstanding preferred stock is changed into anything other than a class or series of preferred stock of the surviving corporation having voting rights that, if such change had been effected by amendment of the articles of incorporation, would not have required a vote of the holders of the outstanding preferred stock under the statement of designations for such preferred stock.

Liquidation rights. In the event of the voluntary or involuntary liquidation, dissolution or winding up of Meridian, holders of the outstanding preferred stock are entitled to receive out of assets available for distribution to shareholders, before any distribution of assets may be made to or set aside to holders of our common stock and any capital stock ranking junior to the outstanding preferred stock as to distributions, a liquidating distribution in an amount equal to $1,000 per share, plus any declared but unpaid dividends thereon.

Redemption. With the prior approval of the FDIC, Meridian may redeem the outstanding preferred stock (i) in whole or in part, at its option, at any time or from time to time or (ii) in whole, but not in part, upon the occurrence of a Regulatory Capital Treatment Event (as defined in the preferred stock statement of designations), in each case at the redemption price equal to $1,000, plus any declared and unpaid dividends, without accumulation of any undeclared dividends, to, but excluding, the date fixed for redemption.

Authorized but Unissued Capital Stock

The Pennsylvania Banking Code does not generally require shareholder approval for the issuance of authorized shares. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions. However, the listing requirements of Nasdaq, which would apply so long as the common stock remains listed on Nasdaq, require shareholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of common stock.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive our shareholders of opportunities they may believe are in their best interests or in which they may receive a premium for their common stock over the market price of the common stock.

Anti-Takeover Effects of Provisions of Applicable Law and Our Articles of Incorporation and Bylaws

Federal banking law. The ability of a third party to acquire our stock is also limited under applicable U.S. banking laws, including regulatory approval requirements. The BHC Act requires any "bank holding company" to obtain the approval of the Federal Reserve before acquiring, directly or indirectly, more than 5% of our outstanding common stock. Any "company" (as defined in the BHC Act) other than a bank holding company is required to obtain the approval of the Federal Reserve before acquiring "control" of us. "Control" generally means (i) the ownership or control of 25% or more of a class of voting securities, (ii) the ability to elect a majority of the directors or (iii) the ability otherwise to exercise a controlling influence over management and policies. A person, other than an individual, that controls us for purposes of the BHC Act is subject to regulation and supervision as a bank holding company under the BHC Act. In addition, under the Change in Bank Control Act of 1978, as amended, and the Federal Reserve's regulations thereunder, any person, either individually or acting through or in concert with one or more persons, is required to provide notice to the Federal Reserve prior to acquiring, directly or indirectly, 10% or more of our outstanding common stock (or any other class of our voting securities).

Pennsylvania banking law. Under the Pennsylvania Banking Code, no person may acquire control of more than a designated percentage of the outstanding voting shares of a bank without the prior written approval of the PDBS. For these purposes, beneficial ownership by a person is deemed to include ownership by another person which controls, is controlled by or is under common control with such person and to include ownership by a spouse or member of the family of such person. The acquisition of options, warrants and rights to subscribe for, or to purchase, shares and the acquisition of rights to obtain shares though a conversion or exchange are deemed an acquisition of such shares. If a bank had net operating loss carryforwards, as defined in the IRC, in excess of 20% of its total stockholders' equity, as reported in its most recent publicly available annual financial statements, the applicable percentage is 5% of the applicable class of shares. In other cases, the applicable percentage is 10% of the applicable class of shares. A merger or consolidation of Meridian Bank with another institution is subject to detailed requirements of applicable federal and state banking law. In general, subject to such provisions, if the proposed merger or consolidation will result in a Pennsylvania banking institution, it will require (i) the approval of at least a majority of the directors, and (ii) the affirmative vote of holders of at least two-thirds of the outstanding shares of common stock at a meeting held upon not less than ten days' notice to all shareholders. Other types of fundamental transactions are subject to other requirements under applicable federal and state law.

Meridian Bank's articles of incorporation include a provision that makes inapplicable the right of a shareholder under the Pennsylvania Banking Code to demand "fair value" (as such term is defined in the Pennsylvania Banking Code) of such voting shares in cash from any person or group which acquires at least 30% of the voting control of a bank.

Holdings in excess of 20% of common stock. Article IV of our articles of incorporation provides that no shareholder may have "holdings" of shares that exceed 20% of the issued and outstanding shares of common stock. For these purposes, "holdings" is defined to include: (i) the common stock the shareholder owns of record; (ii) the common stock which the shareholder has direct and indirect beneficial ownership, and (iii) the common stock owned of record or beneficially by other shareholders acting together with the shareholder as a group for the purpose of acquiring, holding or disposing of our common stock (such group, a "Shareholder Group"). Our articles of incorporation provide that the board of directors may use, but is not necessarily limited to, the following indicia to determine "beneficial ownership": the effect of stock ownership by a person's spouse and minor children; the extent of a substantial shareholder's ownership of partnership interests; transfers pursuant to divorce; installment purchases; stock warrants, grants and options; control over the voting power of any stock; the status of a substantial shareholder as trustee, trust beneficiary or settlor of a trust of which part or all of the corpus is shares of our common stock; and stock dividends. Our articles of incorporation provide that the determination of the board of directors of the existence and membership of a Shareholder Group, of a shareholder's "holdings" and of related matters are conclusive, absent proof of bad faith. If any shareholder acquires holdings which cause the violation of these restrictions, our articles of incorporation provide that the board of directors may (a) terminate all voting rights attributable to the shares owned beneficially by such shareholder during the time that the restriction is being violated; (ii) commence litigation to require the divestiture of such amount of the shares so that after such divestiture the shareholder would no longer be in violation of the restriction; or (iii) take such other action as is appropriate under the circumstances. Upon a resolution adopted by at least two-thirds of members of the board of directors, these restrictions may be waived with respect to the holdings of any shareholder or shareholders.

Stakeholder consideration by the board of directors in fundamental transactions. Article VII of our articles of incorporation provides that the board of directors may, if it deems advisable, oppose a tender or other offer for our securities, whether the offer is in cash or in securities of a corporation or otherwise. When considering whether to oppose an offer, the board of directors may, but is not legally obligated to, consider any relevant or pertinent issue. By way of illustration, but not of limitation, the board of directors may, but shall not be legally obligated to, consider any or all of the following: (i) whether the offer price is acceptable based on the historical and present operating results or financial condition of the bank, (ii) whether a more favorable price could be obtained for our securities in the future, (iii) the social and economic effects of the offer or transaction on the bank and any of its subsidiaries, employees, depositors, loan and other customers, creditors, shareholders and other elements of the communities in which the bank and any of its subsidiaries operate or are located, (iv) the business and financial conditions and earning prospects of the offeror, including, but not limited to, debt service and other existing or likely financial obligations of the offeror, and the possible affect of such conditions upon the bank and any of its subsidiaries and the other elements of the communities in which the bank and any of its subsidiaries operate or are located, (v) the value of the securities (if any) which the offeror is offering in exchange for our securities, based on an analysis of the worth of the bank as compared to the corporation whose securities are being offered, and (vi) any antitrust or other legal and regulatory issues that are raised by the offer. If the board of directors determines that an offer should be rejected, it may take any lawful action to accomplish its purpose, including, but not limited to, the following: advising shareholders not to accept the offer; litigation against the offeror; filing complaints with all governmental and regulatory authorities; acquiring securities; selling or otherwise issuing authorized but unissued securities or treasury stock or granting options with respect thereto; acquiring a company to create an antitrust or other regulatory problem for the offeror; or obtaining a more favorable offer from another individual or entity.

Requirements for advance notification of shareholder nominations and proposals. Our bylaws establish advance notice procedures with respect to shareholder proposals and nomination of candidates for election as directors. These procedures provide that notice of such shareholder proposal must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. The notice must contain certain information required to be provided by our bylaws.

Staggered board of directors. Our bylaws provide that the board of directors shall be divided into three classes with each class containing one-third of the total number of directors. The term of office of one of the three classes of directors expires in each year.

Amending our articles of incorporation and our bylaws

Our articles of incorporation may be amended or altered in any manner provided by the Pennsylvania Banking Code, except that Articles IV and VII of our articles of incorporation may be amended or altered only if first approved by the affirmative vote of holders of at least two-thirds of the outstanding shares of common stock. Our bylaws may be adopted, amended, altered or repealed by shareholders only upon approval of at least two-thirds of outstanding shares of our common stock. Additionally, our articles of incorporation provide that our bylaws may be amended, altered or repealed by our board of directors by a majority vote.

Indemnification and Limitation of Liability

Our bylaws provide generally that we will indemnify and hold harmless, to the full extent permitted by law, our directors, officers, employees and agents, as well as other persons who have served as our directors, officers, employees or agents and other persons who serve or have served at our request at another corporation, limited liability company, public limited company, partnership, joint venture, trust, employee benefit plan, fund or other enterprise in connection with any actual or threatened action, suit or proceeding, subject to limited exceptions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. Finally, our ability to provide indemnification to our directors and officers is limited by federal banking laws and regulations.

Our articles of incorporation limit, to the full extent permitted by law, the personal liability of our directors in actions brought on our behalf or on behalf of our shareholders for monetary damages as a result of a director's breach of fiduciary duty while acting in a capacity as a director. Our articles of incorporation do not eliminate or limit our right or the right of our shareholders to seek injunctive or other equitable relief not involving monetary damages.

Listing

We have applied for listing on the NASDAQ [Global Select] Market. If we do not obtain approval to list on the NASDAQ [Global Select] Market, we may fail to complete our offering, and the price and liquidity of our stock may be adversely affected.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare.

DESCRIPTION OF HOLDING COMPANY SHARES

The following description of the holding company's share capital is a summary. As previously disclosed, the bank plans to reorganize with the formation of the holding company. Assuming all required approvals are obtained, the bank anticipates effecting the reorganization shortly after completion of the offering. This summary is not complete and is subject to the complete text of the holding company's proposed articles of incorporation and by-laws attached as **Exhibit B** and **Exhibit C**, respectively, to this offering circular. Except where otherwise indicated, the description below reflects the holding company's articles of incorporation and by-laws as those documents will be in effect upon completion of the transaction. We encourage you to read those documents carefully.

General

The holding company is authorized to issue up to 10,000,000 shares of common stock with a par value of $1.00 per share and 5,000,000 shares of preferred stock with no stated par value. The board of directors, in its sole discretion, has authority to sell any treasury stock and/or unissued securities, options, warrants, or other rights to purchase any security of the corporation, upon such terms as it deems advisable, including without limitation the division of shares into classes and into series within any class, the determination of the designation and the number of shares of any class or series and the determination of the voting rights, preferences, limitations and special rights, if any, of the shares of any class or series. The holding company board of directors could issue preferred stock, or additional shares of common stock, at any time.

Voting rights

The holders of shares of common stock have the right to elect the holding company's board of directors and to act on such other matters as are required to be presented to them. Each holder of common stock is entitled to one vote per share. The holders of common stock do not have the right to vote their shares cumulatively in the election of directors only. This means that, for each director position to be elected, a shareholder may only cast a number of votes equal to the number of shares held by the shareholder. Because the articles permit the holding company board of directors to set the voting rights of preferred shares, it is possible that holders of one or more series of preferred shares issued in the future could have voting rights of any sort, which could limit the effect of the voting rights of common shareholders.

Dividend rights

Authority Under Pennsylvania Business Corporation Law. The holding company's board of directors has the authority to declare dividends on its common and preferred stock, subject to statutory and regulatory requirements. For example,

Pennsylvania Business Corporation Law. Pennsylvania law permits a business corporation such as the holding company to pay dividends if, after giving effect to the dividend, it is able to pay its debts as they come due in the usual course of business and its assets exceed its liabilities. However, the holding company's ability to pay dividends will be restricted by banking laws and our ability to pay dividends to the holding company to fund the holding company's dividends to its shareholders.

Federal Bank Holding Company Act Policies Applicable to Cash Dividends. The Board of Governors of the Federal Reserve System, which will be the primary federal banking regulator for the holding company, considers adequate capital to be critical to the health of individual banking organizations and to the safety and stability of the banking system. A major determinant of a bank's or bank holding company's capital adequacy is the strength of its earnings and the extent to which its earnings are retained and added to capital or paid out to shareholders in the form of cash dividends.

Normally, during profitable periods, dividends represent an appropriate return of a portion of a banking organization's net earnings to its shareholders. However, the payment of cash dividends that are not fully covered by earnings, in effect, represents the return of a portion of an organization's capital at a time when circumstances may indicate instead the need to strengthen capital and concentrate financial resources on resolving the organization's problems. Therefore, the Federal Reserve believes that a bank or bank holding company generally should not maintain its existing rate of cash dividends on common stock unless (1) the organization's net income available to common shareholders over the past year has been sufficient to fully fund the dividends and (2) the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality, and overall financial condition. The Federal Reserve may strongly encourage, or require, a banking organization whose cash dividends are inconsistent with either of these criteria to cut or eliminate its dividends.

The Federal Reserve also believes it is inappropriate for a banking organization that is experiencing serious financial problems or that has inadequate capital to borrow in order to pay dividends since this can result in increased leverage at the very time the organization needs to reduce its debt or increase its capital. Similarly, the payment of dividends based solely or largely upon gains resulting from unusual or nonrecurring events, such as the sale of the organization's building or the disposition of other assets, may not be prudent or warranted, especially if the funds derived from such transactions could be better employed to strengthen the organization's financial resources. Furthermore, a fundamental principle underlying the Federal Reserve's supervision and regulation of bank holding companies is that bank holding companies should serve as a source of managerial and financial strength to their subsidiary banks. The Federal Reserve believes, therefore, that a bank holding company should not maintain a level of cash dividends to its shareholders that places undue pressure on the capital of bank subsidiaries, or that can be funded only through additional borrowings or other arrangements that may undermine the bank holding company's ability to serve as a source of strength. Thus, for example, if a major subsidiary bank is unable to pay dividends to its parent company—as a consequence of statutory limitations, intervention by the primary supervisor, or noncompliance with regulatory capital requirements—the Federal Reserve may encourage or require a bank holding company to reduce or eliminate its dividends in order to conserve its capital base and provide capital assistance to the subsidiary bank.

The Federal Reserve has further stated that a bank holding company should pay cash dividends only out of income over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition, and only if, after paying the dividend, the bank holding company is not in danger of falling below its required regulatory capital adequacy ratios. It has also indicated that a "small bank holding company" such as the holding company is not expected to pay corporate dividends until such time as its debt to equity ratio (determined separately and not on a consolidated basis with its bank subsidiary) is 1:1 or less and its bank subsidiaries are otherwise well-managed, well-capitalized, and not under any supervisory order.

Pennsylvania Banking Code Requirements Applicable to Cash Dividends. Because the bank will be the primary source of cash for payment of dividends by the holding company for the foreseeable future, requirements of the Pennsylvania Banking Code setting conditions on payments of dividends by banks such as the bank will constrain our ability to provide funds to the holding company to pay dividends to shareholders. These rules will apply similarly to the bank after the transaction as they presently apply to the bank. In summary, Section 1302 of the Pennsylvania Banking Code permits a bank to pay cash dividends only out of accumulated net earnings. Furthermore if any transfer of net earnings to surplus is required by section 1103 of the Pennsylvania Banking Code to cause our surplus to meet minimum statutory requirements at the time the dividend is to be declared or paid, the transfer must be made prior to the declaration of the dividend, and the bank's surplus cannot be reduced by the payment of the dividend.

For the foregoing reasons, and because a decision by the holding company board of directors to declare and pay cash dividends will depend upon the future financial performance and condition of the bank and the holding company, no assurances can be given that any dividends will in fact be paid on the common stock, or that, if dividends are paid, they will not be reduced or discounted in the future.

Conversion, redemption, preemption rights and repurchase provisions

The holding company's common stock has no preemptive, subscription or conversion rights, and no redemption or repurchase provisions. The shares are non-assessable and require no sinking fund. Common stock repurchases are subject to Federal Reserve regulations and policy, which generally require no more than ten percent of the outstanding shares of the holding company common stock be repurchased in any 12-month period, unless the holding company is deemed "well-managed" and "well-capitalized" under applicable regulations. Repurchases of the holding company stock will also be constrained by federal and state bank regulatory capital requirements. Repurchases of stock by bank holding companies may also be subject to prior notice to and approval by the Federal Reserve in some cases.

Liquidation rights

In the event of a liquidation, dissolution or winding up of the holding company, the holders of common stock are entitled to share ratably in all assets remaining after payment of all liabilities.

Anti-takeover effect of provisions in the articles and bylaws

The following description of certain provisions of the Articles of Incorporation and Bylaws of the holding company, which may be considered to be anti-takeover in effect, is necessarily general and reference should be made in each instance to the holding company Articles of Incorporation, attached as **Exhibit B**, and the holding company Bylaws, attached as **Exhibit C**.

Authorized Capital; No Preemptive Rights. The number of authorized common and preferred shares, and the granting of authority to the holding company's board of directors to determine the terms of any common or preferred stock or other securities issued, are intended to give the holding company board of directors some flexibility to issue additional securities for proper corporate purposes, including financing, acquisitions, stock dividends, stock splits and employee incentive plans. However, these additional shares could also be used by the board of directors to deter future attempts to gain control over the holding company.

Ownership Limitation. The holding company's articles of incorporation provide that, generally, no shareholder may have holdings of shares that exceed 20% of the issued and outstanding shares of common stock. However, this restriction can be waived for any shareholder or shareholders upon the resolution of at least two-thirds of the board of directors. If any shareholder acquires holdings which cause the violation of the restriction (sometimes called a substantial shareholder), the board of directors may terminate all voting rights attributable to the shares owned beneficially by the shareholder during the time that the restriction is being violated, commence litigation to require the divestiture of such amount of the shares so that after such divestiture the shareholder would no longer be in violation of the restriction contained in Section 1 of this Article, or take such other action as is appropriate under the circumstances. For purposes of the provision, a shareholder's holdings are: (i) the common stock the shareholder owns of record; (ii) the common stock to which the shareholder has direct or indirect beneficial ownership and (iii) the common stock owned of record or beneficially by other shareholder(s) acting together with the shareholder as a group for the purpose of acquiring, holding or disposing of common stock. The board of directors may use, but is not necessarily limited to, the following indicia to determine beneficial ownership: the effect of stock ownership by a person's spouse and minor children; ownership of shares held by a corporation or foundation of which a substantial shareholder is an officer or affiliate; the extent of a substantial shareholder's ownership of partnership shares; transfers pursuant to divorce; installment purchases; stock warrants, grants and options; control over the voting power of any stock; the status of a substantial shareholder as trustee, trust beneficiary or settler of a trust of which part of all of the corpus is shares of the common stock of the holding company; and stock dividends. The board's determination of the existence and membership of a shareholder group, of a shareholder's holdings and of the record are conclusive, absent proof of bad faith. This provision of the holding company's articles of incorporation may not be amended unless approved by the affirmative vote of at least two-thirds of the outstanding shares of common stock.

The holding company board of directors could use this authority to discourage future attempts to gain control over the holding company.

Acquisition Offers. The holding company's articles of incorporation provide that the board of directors may, if it deems it advisable, oppose a tender or other offer for the holding company's securities, whether the offer is in cash or in the securities of a corporation or otherwise. When considering whether to oppose an offer, the board of directors may, but is not legally obligated to, considers any relevant or pertinent issue; by way of illustration, but not of limitation, the board of directors may, but shall not be legally obligated to, consider any or all of the following:

(a) whether the offer price is acceptable based on the historical and present operating results or financial condition of the corporation;

(b) whether a more favorable price could be obtained for the corporation's securities in the future;

(c) the social and economic effects of the offer or transaction on this corporation and any of its subsidiaries, employees, depositors, loan and other customers, creditors, shareholders and other elements of the communities in which this corporation and any of its subsidiaries operate or are located;

(d) the business and financial conditions and earnings prospects of the offeror, including, but not limited to, debt service and other existing or likely financial obligations of the offeror, and the possible effect of such conditions upon this corporation and any of its subsidiaries and the other elements of the communities in which this corporation and any of its subsidiaries operate or are located;

(e) the value of the securities (if any) which the offeror is offering in exchange for the corporation's securities, based, on an analysis of the worth of the corporation as compared to the corporation whose securities are being offered;

(f) any antitrust or other legal and regulatory issues that are raised by the offer.

If the board of directors determines that an offer should be rejected, it may take any lawful action to accomplish its purpose including, but not limited to, the following: advising shareholders not to accept the offer; litigation against the offeror; filing complaints with all governmental and regulatory authorities; acquiring securities; selling or otherwise issuing authorized but unissued securities or treasury stock or granting options with respect thereto; acquiring a company to create an antitrust or other regulatory problem for the offeror; or obtaining a more favorable offer from another individual or entity. This provision of the holding company's articles of incorporation may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock of the holding company.

The holding company board of directors could use this authority to discourage future attempts to gain control over the holding company.

Classified Board. The Bylaws of the holding company provide for a classified board of directors. A classified board has the effect of moderating the pace of any change in control of the board of directors by extending the time required to elect a majority of the directors to at least two successive annual meetings. However, this extension of time also may tend to discourage a tender offer or takeover bid.

The overall effect of these provisions may be to deter a future offer or other merger or acquisition proposal that a majority of the shareholders might view to be in their best interests as the offer might include a substantial premium over the market price of the holding company's common stock at that time. In addition, these provisions may have the effect of assisting the holding company's management in retaining its position and placing it in a better position to resist changes that the shareholders may want to make if dissatisfied with the conduct of the holding company's business.

COMPARISON OF SHAREHOLDERS' RIGHTS

Upon consummation of the transaction, the bank shareholders will become the holding company shareholders. Consequently, after the transaction, the rights of such shareholders will be governed by the Pennsylvania Business Corporation Law and the articles of incorporation and bylaws of the holding company. The rights and interests of holders of the holding company shares are substantially the same as those in the bank prior to the transaction, other than as may be required by law. The rights of the bank shareholders are governed by the Pennsylvania Banking Code and the bank's articles of incorporation and bylaws. The rights of the holding company shareholders are governed by the Pennsylvania Business Corporation Law, the holding company's articles of incorporation and bylaws. A comparison of the rights of the bank and the holding company shareholders follows. This summary is not intended to be a complete statement of all of such differences or a complete description of the specific provisions referred to in, and is qualified in its entirety by reference to, Pennsylvania law and the respective articles of incorporation and bylaws of the bank and the holding company.

Authorized Capital

The bank and the holding company are each authorized by their articles to issue up to 10,000,000 shares of common stock with a par value of $1.00 per share and 5,000,000 shares of preferred stock with no stated par value. The board of directors of the bank and the holding company, in its sole discretion, has authority to sell any treasury stock and/or unissued securities, options, warrants, or other rights to purchase any security of the corporation, upon such terms as it deems advisable.

Annual Meetings of Shareholders

The bank's and the holding company's bylaws each provide that an annual meeting of the shareholders for the election of directors will be held at such place and at such time as may be fixed by the board of directors, but in any event by September 30 each year.

Special Meetings of Shareholders

The bank's and the holding company's bylaws each provide that special meetings of shareholders may be called at any time by the Chairman of the Board, the Chief Executive Officer, a majority of the board of directors or by one or more shareholders entitled to cast at least one-fifth of the votes which all shareholders are entitled to cast at the particular meeting.

Notice

The bank's and the holding company's bylaws each provide that the board must provide at least 5 days before each shareholder meeting other than adjourned meetings, except to the extent a greater period of notice is required by applicable law.

Record Date for Meetings, Distributions and Other Capital Changes

Bank. The bank's bylaws provide that the board may fix a record date, not more than 60 days prior to the date of any shareholder meeting or the date that any dividend payment, distribution, allotment of rights, or any change or conversion or exchange of shares will be made or go into effect, to determine those shareholders of record entitled to participate.

Holding Company. The holding company's bylaws provide that the board may fix a record date, not more than 60 days before any shareholder meeting or date that any dividend payment, distribution, allotment of rights, or any change or conversion or exchange of shares will be made or go into effect.

Cumulative Voting

Neither our bylaws nor the holding company's permit cumulative voting in the election of directors.

Advance Notice of Shareholder Proposals

The bank's and the holding company's bylaws each provide that, at any shareholder meeting, no shareholder shall be entitled to present new business, any proposal, or additional items for action by the shareholders, for consideration at the meeting, unless the shareholder shall have delivered to the Secretary a written notice setting forth in detail the new business, proposal or additional item for action by the shareholders, in the form to be acted upon or considered in the meeting. The notice must be delivered in such manner that it is received by the Secretary at least five (5) days before the date of the meeting or else the chairman of the meeting shall not be obligated to recognize such matter as eligible for consideration at that meeting. The bylaws do not require the bank or the holding company to notify shareholders, in advance of any meeting, of any shareholder proposals that have been received or may be presented at the meeting.

Advance Notice of Shareholder Board Nominations

The bank's and the holding company's bylaws each provide that nominations for the election of directors may be made by the board of directors or by any shareholder entitled to vote in the election of directors. All nominations made by any shareholder must be made in writing, delivered or mailed by registered or certified mail, postage prepaid, return receipt requested, to the Secretary not less than 90 days nor more than 120 days prior to any meeting of the shareholders called for the election of directors. If less than 90 days' notice of the meeting is given to the shareholders, the nomination shall be delivered or mailed to the Secretary not later than the close of the 7th day following the day on which notice of the meeting was mailed to shareholders. Every nomination shall be signed by the nominating shareholder or shareholders and shall include: (i) the signed, written consent of the person nominated to serve as a director; (ii) the name, age, business address and residence address of the nominee; (iii) the principal occupation or employment of the nominee; (iv) a statement whether the nominee is also a director or officer of any other banking, securities, insurance or financial securities organization, and if so the name and address of each such organization; (v) a completed and signed financial and biographical statement concerning the nominee in the form require by applicable banking regulators; (vi) the number of shares of the bank or the holding company (as applicable) beneficially owned by the nominee; (vii) the name and address of the nominating shareholder; and (viii) the number of shares owned by the nominating shareholder. The Chairman of any meeting called for the election of directors shall reject any nomination made by any shareholder which was not made in accordance with this provision unless the board of directors has agreed to waive the provisions as to such nomination. In the event that the same person is nominated by more than one shareholder, if at least one nomination for such person complies with this provision, the nomination shall be honored and all votes cast for such nominee shall be counted. Nominations for the election of directors made by the board of directors need not comply with this provision.

Quorum

Under the bank's and the holding company's bylaws, the presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote on any matter shall constitute a quorum.

Required Shareholder Vote

Bank. When a quorum is present at any meeting: (i) the candidates for election as directors receiving the highest number of votes from each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected; and (ii) the affirmative vote of the holders of a majority of the stock having voting power, present, in person or by proxy, shall decide any other question brought before such meeting except as provided differently by statute or by the Articles of Incorporation. The Pennsylvania Banking Code requires the affirmative vote of not less than two-thirds of the holders of all voting shares to approve a merger and, if any class of shares is entitled to vote on the merger as a class, the affirmative vote of two-thirds of the holders of the shares in each such class.

Holding Company. When a quorum is present at any meeting: (i) the candidates for election as directors receiving the highest number of votes from each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected; and (ii) the affirmative vote of a majority of the votes cast shall decide any other question brought before such meeting except as provided differently by statute or by the Articles of Incorporation. The Pennsylvania Business Corporation Law provides that a majority of votes cast by holders of voting shares may approve a merger including, if any class of shares is entitled to vote on the merger as a class, a majority of the votes cast in a vote by each such class.

The bank's and the holding company's articles of incorporation each provide that:

- The article imposing an ownership limitation of 20% of the issued and outstanding shares of common stock (see further description under, "DESCRIPTION OF HOLDING COMPANY SHARES - Anti-takeover effect of provisions in the articles and bylaws – Ownership Limitation") may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock.
- The article permitting the board of directors to oppose certain acquisition offers (see further description under, "DESCRIPTION OF HOLDING COMPANY SHARES - Anti-takeover effect of provisions in the articles and bylaws – Acquisition Offers ") may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock.

Shareholder Action Without a Meeting

Bank. Under the Pennsylvania Banking Code, any action which may be taken at a meeting of shareholders may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the shareholders who would be entitled to vote on such action at a meeting and shall be filed with the secretary of the bank.

Holding Company. Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting upon the written consent of shareholders who would have been entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting.

Number of Directors

For both the bank and the holding company, the bylaws provide that the number of directors will be between five and fifteen, as determined from time to time by resolution adopted by an affirmative majority vote of the board of directors. Applicable statutes limit the bank to 25 directors, but applicable statutes do not limit the number of the holding company directors, which could be increased by an amendment to the holding company bylaws.

Director Qualifications

Under applicable banking laws each director of the bank and the holding company must be a shareholder of the holding company. In addition, the Pennsylvania Banking Code requires that each of our directors must be citizens of the United States of America except to the extent this requirement is waived for not more than 20% of the bank directors by the Pennsylvania Department Banking and securities. Furthermore, at least two-thirds of our directors must have resided in Pennsylvania or within 100 miles of our main office for at least one year immediately preceding their election and must be residents of Pennsylvania or reside within 100 miles of our main office during their continuation in office; these requirements do not apply to the holding company directors.

Director Classification

The bank and the holding company bylaws provide that each board of directors shall be divided into three classes (Class A, Class B and Class C), as nearly equal in number as the then total number of directors constituting the whole board permits, with the term of office of one class expiring each year. Each class of directors shall be elected in a separate election. The term of office, until otherwise fixed, for all directors elected at each annual meeting shall be 3 years from the date of their election.

Vacancies on Board

The bank and the holding company bylaws provide that any vacancies in the board of directors for any reason, including vacancies caused by any increase in the number of directors, may be filled by the board of directors, acting by a majority of the directors then in office, although less than a quorum. Any director chosen to fill a vacancy in any class of directors shall become a member of the class of directors in which the vacancy occurred. Such director shall hold office for the remainder of the original term of such vacancy.

Amendment of Articles of Incorporation

Bank. Under the Pennsylvania Banking Code, an amendment to the articles of incorporation shall be proposed by adoption of a resolution by the board of directors, directing that it be submitted to a vote at a meeting of shareholders held upon not less than ten days' notice to all shareholders. Adoption of each amendment requires the affirmative vote of the shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast thereon and, if any class is entitled to vote thereon as a class, of the holders of at least a majority of the outstanding shares of such class. If a proposed amendment would: (i) make any change in the preferences, qualifications, limitations, restrictions or special or relative rights of the shares of any class or series adverse to such class or series, (ii) increase or decrease the par value of the shares of any class, (iii) increase the authorized number of shares of any class or series, unless otherwise provided in the articles, (iv) limit or deny the existing preemptive rights of the shares of any class, (v) authorize a new class or series of shares having a preference as to dividends or assets, or increase the number of authorized shares of any existing class or series, having a preference as to dividends or assets, senior to the shares of a class or series, or (vi) authorize the board of directors to fix and determine the relative rights and preferences as between series of any preferred or special class, the holders of the outstanding shares of such class or series shall be entitled to vote as a class on such amendment, regardless of any limitation stated in the articles on the voting rights of any class. Except in such case, only the holders of outstanding shares who, under the articles are entitled to vote on proposed amendments, shall be entitled to vote thereon.

Holding Company. Under the Pennsylvania Business Corporation Law, an amendment to the articles of incorporation requires the approval of the board of directors and, except in limited cases where a greater vote may be required, the affirmative vote of a majority of the votes cast by all shareholders entitled to vote on the matter and the affirmative vote of a majority of the votes cast by all shareholders within each class or series of shares if such class or series is entitled to vote on the matter as a class. Pennsylvania law also provides that shareholders of a registered corporation, such as the holding company, are not entitled by statute to propose amendments to the articles of incorporation.

The bank's and the holding company's articles of incorporation each provide that:

– The article imposing an ownership limitation of 20% of the issued and outstanding shares of common stock (see further description under, "DESCRIPTION OF HOLDING COMPANY SHARES - Anti-takeover effect of provisions in the articles and bylaws – Ownership Limitation") may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock.

– The article permitting the board of directors to oppose certain acquisition offers (see further description under, "DESCRIPTION OF HOLDING COMPANY SHARES - Anti-takeover effect of provisions in the articles and bylaws – Acquisition Offers ") may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock.

Amendment of Bylaws

The bank and the holding company bylaws provide that the bylaws may be altered, amended or repealed by either (i) the affirmative vote of the holders of a majority of the outstanding shares of common stock at a regular or special meeting of the shareholders; or (ii) action of the board of directors (except the directors shall not make or alter any bylaws fixing their qualification, classification or term of office), subject always to the power of the shareholders to change such action of the board of directors by the affirmative vote of the holders of a majority of the outstanding shares of common stock.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Future sales of substantial amounts of our common stock in the public market, or the perception that such sales may occur, could adversely affect market prices prevailing from time to time. Furthermore, because a number of shares will not be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future.

Lock-up Agreements

We, our executive officers and directors, subject to de minimis exceptions, have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this offering circular without first obtaining the written consent of Sandler O'Neill & Partners, L.P., as representative of the underwriters. See "Underwriting". At any time and without public notice, the representative may, in its sole discretion, release all or some of the securities from these lock-up agreements. The underwriters do not have any present intention or arrangement to release any shares of our common stock subject to lock-up agreements prior to the expiration of the 180-day lock-up period.

UNDERWRITING

Sandler O'Neill & Partners, L.P. is acting as representative of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement between us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Sandler O'Neill & Partners, L.P.	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Option to Purchase Additional Shares

We have granted an option to the underwriters, exercisable for 30 days after the date of this offering circular, to purchase up to [●] additional shares at the public offering price, less the underwriting discounts and commissions. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

Commissions and Discounts

The representative has advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this offering circular and to dealers at that price less a concession not in excess of $[●] per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discounts and commissions and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	Per Share	No Exercise	Full Exercise
Public offering price	$	$	$
Underwriting discounts and commissions	$	$	$
Proceeds, before expenses, to us	$	$	$

The expenses of the offering, not including the underwriting discounts and commissions, are estimated at $[●] million and are payable by us. We have agreed to reimburse Sandler O'Neil & Partners, L.P. for its reasonable out-of-pocket expenses incurred in connection with its engagement as underwriter, regardless of whether this offering is consummated, including without limitation, legal fees and expenses and other out-of-pocket expenses; provided, however, that, absent the bank's approval, in no event shall the aggregate legal fees and expenses exceed $125,000.

Indemnification and Contribution

We have agreed to indemnify the underwriters and persons who control the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters and persons who control the underwriters may be required to make in respect of those liabilities.

No Sales of Similar Securities

We and our executive officers and directors have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this offering circular without first obtaining the written consent of Sandler O'Neill & Partners, L.P. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Listing and Offering Price Determination

Our common stock has been approved for listing on Nasdaq, under the symbol "[●]". In order to meet the requirements for listing on that exchange, the underwriters have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representative. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the representative believes to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues, and

- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representative may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. "Naked" short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representative has repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on Nasdaq in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Passive Market Making

In connection with this offering, the underwriters and selected dealers, if any, who are qualified market makers on the Nasdaq Global [Select] market, may engage in passive market making transactions in our common stock on the Nasdaq Global [Select] market in accordance with Rule 103 of Regulation M under the Securities Act. Rule 103 permits passive market making activity by the participants in our common stock offering. Passive market making may occur before the pricing of our offering, or before the commencement of offers or sales of our common stock. Each passive market maker must comply with applicable volume and price limitations and must be identified as a passive market maker. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for the security. If all independent bids are lowered below the bid of the passive market maker, however, the bid must then be lowered when purchase limits are exceeded. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in the common stock during a specified period and must be discontinued when that limit is reached. The underwriters and other dealers are not required to engage in passive market making and may end passive market making activities at any time.

Electronic Distribution

This offering circular may be made available in electronic format on one or more websites or through other online services maintained by the underwriters or by their respective affiliates. Other than the offering circular in electronic format, information on such websites and any information contained in any other website maintained by any of the underwriters or any of their affiliates is not part of this offering circular, has not been approved or endorsed by us or any of the underwriters in their capacity as underwriter and should not be relied on by investors.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

VALIDITY OF COMMON STOCK

The validity of the shares of our common stock offered hereby will be passed upon for us by Stevens & Lee, P.C., Philadelphia, Pennsylvania. The validity of the shares of common stock offered hereby will be passed upon for the underwriters by Silver, Freedman, Taff & Tiernan LLP, Washington, D.C.

EXPERTS

The consolidated financial statements of Meridian Bank as of and for the years ended December 31, 2016 and 2015, have been included in the offering circular in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

Upon completion of the offering, we will become subject to the informational and reporting requirements of the Exchange Act and, in accordance with those requirements, will file reports and proxy and information statements with the FDIC. You will be able to inspect and copy these reports and proxy and information statements and other information at the addresses set forth below. Those filings will also be available to the public on, or accessible through, our website under the heading "Investor Relations" at www.meridianbanker.com. The information we file with the FDIC or contained on or accessible through our corporate website or any other website we may maintain is not part of this offering circular. We intend to furnish to our shareholders our annual reports containing our audited consolidated financial statements certified by an independent public accounting firm.

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

EXHIBIT A

PLAN OF MERGER AND REORGANIZATION

Date: __________, 2017

MERIDIAN BANK (the "Bank"), a banking institution organized under the Pennsylvania Banking Code of 1965, as amended (the "Banking Code"), and MERIDIAN INTERIM BANK (the "Surviving Bank"), an interim bank in organization under the Banking Code, and MERIDIAN CORPORATION (the "Holding Company"), a Pennsylvania business corporation organized under the Pennsylvania Business Corporation Law of 1988, as amended, hereby enter into this Plan of Merger and Reorganization (the "Plan").

In consideration of their mutual promises and covenants, and intending to be legally bound hereby, the parties hereto, deeming it to be advantageous to their respective banking associations, corporation and their shareholders, have duly approved this Plan and its execution, and do hereby adopt this Plan setting forth the method, terms and conditions of the merger, including the rights under the Plan of the shareholders of each of the parties, and the agreements concerning the merger:

1. Merger. The Bank shall merge into the Surviving Bank under the charter of the Surviving Bank, under the title of "Meridian Bank", and pursuant to the provisions of the Banking Code, by the method, on the terms and subject to the conditions and requirements hereinafter stated. Upon the merger becoming effective, Bank and Surviving Bank shall be merged into and continued in a single institution, the Surviving Bank, which shall be a Pennsylvania chartered bank and which shall be considered the same business and corporate entity as the constituent institutions. The Surviving Bank shall thenceforth be responsible for all of the liabilities and obligations of the Bank.. The Surviving Bank shall, upon consummation of the merger, engage in the business of a Pennsylvania chartered bank at the principal office and the legally established and approved branch offices of the Bank. Surviving Bank shall maintain the insurance of the Federal Deposit Insurance Corporation in the same way as it is now carried by the Bank

2. Articles of Incorporation of Surviving Bank. When the merger becomes effective, the initial Articles of Incorporation of the Surviving Bank shall be substantially in the form attached hereto as Exhibit A attached hereto and incorporated herein.

3. Bylaws of Surviving Bank. When the merger becomes effective, the initial Bylaws of the Surviving Bank shall be substantially in the form attached hereto as Exhibit B attached hereto and incorporated herein, and the principal office and established and authorized branch offices of the Bank shall become the principal office and established and authorized branch offices, respectively, of the Surviving Bank.

4. Board of Directors of Surviving Bank. The persons who shall constitute the Board of Directors of the Surviving Bank at the time the merger becomes effective shall be the persons who were then members of the Board of Directors of the Bank. They shall serve until the subsequent annual meeting of shareholders of Surviving Bank or until their successors are duly qualified and elected. Any vacancy in the Board of Directors of the Surviving Bank which may

exist upon or after the effective date of the merger may be filled as provided by the Articles of Incorporation and Bylaws of the Surviving Bank. The officers of the Bank at the time the merger becomes effective shall hold the same offices in the Surviving Bank.

5. Conversion of Shares: Exchange of Certificates: Capitalization. Upon the merger becoming effective:

(a) Each issued and outstanding share of common stock of the Bank represented by an outstanding stock certificate shall, ipso facto, and without any action on the part of the holder thereof, become and be converted into one (1) share of common stock of the Holding Company, par value $1.00 per share. As soon as practicable after the merger becomes effective, holders of shares of Bank common stock shall be furnished a form letter of transmittal for the tender of their shares to the Surviving Bank, which shall act as "Exchange Agent" for the Holding Company, to be exchanged for new certificates for the appropriate number of shares of Holding Company common stock. Holding Company shall be required to issue certificates for Holding Company common stock only upon the actual surrender of Bank shares and may require an indemnity agreement or bond from any Bank shareholder who is unable to surrender his or her certificate by reason of loss or destruction of the certificate. Upon surrender for cancellation to the Exchange Agent of one or more certificates for shares of Bank common stock, accompanied by a duly executed letter of transmittal in proper form, the Exchange Agent shall, promptly after the effective date of the merger, deliver to each holder of such surrendered Bank certificates new certificates representing the appropriate number of shares of Holding Company common stock. Until certificates for Bank common stock have been surrendered and exchanged as herein provided for certificates of Holding Company common stock, each outstanding certificate for Bank common stock shall be deemed, for all corporate purposes of the Holding Company, to be the number of full shares of Holding Company common stock into which the number of shares of Bank common stock shown thereon have been converted. In the event that any certificates for Bank common stock are not surrendered for exchange within two (2) years from the effective date of the merger, the shares of Holding Company common stock that would otherwise have been delivered in exchange for the unsurrendered Bank certificates shall be delivered by the Exchange Agent to the Holding Company, in which event the persons entitled thereto shall look only to the Holding Company for delivery of the Holding Company shares upon surrender of their outstanding certificates for Bank common stock. Following the expiration of such two (2) year period, the Holding Company may sell such unclaimed Holding Company common stock, in which event the sole right of the holders of the unsurrendered outstanding Bank certificates shall be the right to collect the net sale proceeds held for their account by the Holding Company. In the event that Holding Company shall, as required or permitted by law, pay to the Commonwealth of Pennsylvania any net sale proceeds relating to unclaimed Holding Company common stock, the holders of unsurrendered outstanding Bank certificates shall thereafter look only to the Commonwealth of Pennsylvania for payment on account thereof.

(b) Prior to the merger becoming effective, the Surviving Bank will have a capital of $100,000 consisting of 100,000 issued and outstanding shares of common stock, par value $1.00 per share, and a surplus of $55,000. Upon the merger becoming effective: (i) the amount and number of issued and outstanding shares of common stock of the Surviving Bank shall be increased to an amount equal to the total, immediately before the merger, of (A) the issued and outstanding shares of common stock of the Bank, now being [_____] shares, and (B) the issued and outstanding shares of common stock of the Surviving Bank; (ii) the surplus of the Surviving Bank shall be increased to an amount equal to the total of the surplus of the Bank and the surplus of the Surviving Bank immediately before the merger; and (iii) all of the issued and outstanding shares of the Surviving Bank, as increased by the number of issued and outstanding shares of the Bank, shall be issued to and owned by the Holding Company.

(c) No cash shall be allocated to shareholders of the Bank or to any other person, firm, or corporation upon and by reason of the merger becoming effective. Cash fees will, however, be paid to attorneys, accountants and other like persons for services rendered in the accomplishment of the merger and reorganization and other phases of the overall transaction; some of these persons may be stockholders of the Bank and of Holding Company.

(d) The shares of the Holding Company, subscribed for by the individual incorporators of the Holding Company, shall be purchased by them by the payment of each individual incorporator's own cash to the Holding Company. Upon consummation of the merger, each individual incorporator of the Holding Company shall sell all of his said stock subscribed for by him as an incorporator in the Holding Company to the Holding Company for cash.

(e) Each then outstanding option to acquire a share of the common stock of the Bank issued under the Meridian Bank 2004 Stock Option Plan shall, ipso facto, and without any action on the part of the holder thereof, become and be converted into an option to acquire a share of the Holding Company on the same terms and conditions and shall remain outstanding. After the merger becomes effective the Holding Company may issue amended grant or award agreements reflecting the conversion and the assumption of the Plan as provided in Section 12 below.

(f) Each share of the Bank’s Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series 2009A, liquidation preference $10,000 per share, shall be exchanged for one share of the Holding Company’s Fixed Rate Cumulative Perpetual Preferred Stock, Series 2009A, liquidation preference $10,000 per share, each share of the Bank’s Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series 2009B, liquidation preference $10,000 per share, shall be exchanged for one share of the Holding Company’s Fixed Rate Cumulative Perpetual Preferred Stock, Series 2009B, liquidation preference $10,000 per share, each share of the Bank’s Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series 2009C, liquidation preference $10,000 per share, shall be exchanged for one share of the Holding Company’s Fixed Rate Cumulative Perpetual Preferred Stock, Series 2009C, liquidation preference $10,000 per share.

6. Dissenting Shareholders. The rights and remedies of a dissenting shareholder under Subchapter D of Chapter 15 of the Pennsylvania Business Corporation Law of 1988, as amended (15 Pa. C.S. §1571 et seq.) shall be afforded to any shareholder of the Bank who takes the necessary steps to perfect his or her dissenters rights. The Bank will make whatever payments are to be made to validly dissenting shareholders in the exercise of such rights. Unless otherwise provided by law, shares of the Holding Company not taken by the dissenting shareholders of the Bank shall not be issued.

7. Conditions. The merger provided under this Plan shall take place only if: (i) this Plan is approved (A) by the affirmative vote of at least two-thirds (2/3) of the outstanding shares of common stock of the Bank and (B) by the Holding Company as a shareholder of the Surviving Bank, in accordance with applicable law; (ii) this Plan and the merger are approved by the Pennsylvania Department of Banking and Securities and the Federal Deposit Insurance Corporation and the Notice or Application, as applicable, of the Holding Company to form a bank holding company is not objected to, or is otherwise approved, by the Board of Governors of the Federal Reserve System and all other requirements prescribed by law are satisfied; (iii) the Bank receives an opinion of its special counsel, Stradley Ronon Stevens & Young, LLP, to the effect that the transactions contemplated herein constitute a tax-free reorganization under the Internal Revenue Code of 1986, as amended, and that neither gain nor loss will be recognized for federal income tax purposes to the Bank, the Surviving Bank, the Holding Company or the shareholders (other than the dissenting shareholders who elect dissenters' rights) of the Bank, the Surviving Bank and the Holding Company, by reason of the transactions contemplated herein, and as to such further matters relating to the tax consequences of the transactions contemplated hereby, as the Bank may deem advisable; and (iv) there shall be no litigation or proceeding pending or threatened for the purpose of enjoining, restraining or preventing the consummation of the merger in accordance with this Plan.

8. Amendment; Termination. At any time before the merger becomes effective, by vote of a majority of the Board of Directors of each of the Bank, the Holding Company and the Surviving Bank, this Plan (a) may be amended in any manner not inconsistent with its general purpose, provided that no amendment shall change the share exchange ratio following approval of this Plan by the shareholders of the Bank, or (b) may be terminated for any reason, including without limitation for reasons such as because of the number of shares of common stock of the Bank exercising dissenters' rights, or if it shall appear that the consummation of the Plan would be inadvisable. If this Plan is terminated pursuant to this Section, this Plan shall be void and of no further effect, without any liability on the part of any of the parties hereto, or their respective directors, officers, shareholders or agents.

9. Shares of Incorporators. The incorporator(s) of the Holding Company shall each subscribe to and purchase one (1) share of $1.00 par value per share common stock of said corporation for a subscription price equal to the aggregate par value of the share(s) subscribed for by the incorporator(s). Upon consummation of the merger, each such incorporator shall sell his or her Holding Company share(s) to the Holding Company for a purchase price equal to the original subscription price.

10. Financing of Initial Capitalization. In order to provide funds with which the Holding Company can purchase shares of common stock of the Surviving Bank for $155,000 (which Surviving Bank shall allocate as follows: Capital - $100,000; Surplus - $55,000), the Holding Company will make a temporary borrowing from another bank. After consummation of the merger the Surviving Bank will pay a special cash dividend to the Holding Company which will enable the Holding Company to repay the principal amount of said loan in full plus interest.

11. Issuance of Shares. When required by the terms of this Plan, the Holding Company will issue the shares of its common stock which the shareholders of the Bank shall be entitled to receive as hereinabove provided, and will perform all other acts necessary for it to comply with the provisions of this Plan.

12. Assumption and Amendment of Stock Option Plan. Upon the merger becoming effective, without any further action being required:

(a) the Holding Company shall assume the Meridian Bank 2004 Stock Option Plan (the "Option Plan");

(b) all then outstanding options granted under the Option Plan shall be converted as provided in Section 5 above; and

(c) the Option Plan shall be deemed amended and restated: (i) to substitute the Holding Company and the common stock of the Holding Company for the Bank and the common stock of the Bank; (ii) to provide that eligible Participants under the Option Plan shall be officers and other employees, and non-employee directors, of the Holding Company and any . current or future subsidiary of the Holding Company, including the Bank; and (iii) to provide that employment by, or serving as a Non-Employee Director of, the Holding Company or any current or future subsidiary of the Holding Company, including the Bank, shall constitute employment by or service with the Holding Company for purposes of the Option Plan. The maximum number of shares of common stock that have been or may be issued or transferred under the Plan shall be [_____________] and the maximum aggregate number of shares of common stock that shall be subject to options or awards under the Option Plan to any single individual shall remain unchanged at [__________], subject to the adjustment provisions of the Option Plan.. Approval of this Plan of Merger and Reorganization shall constitute approval of the Option Plan as so amended by the directors and shareholders of the Bank and Holding Company for all purposes, including, without limitation, for purposes of Sections 162(m) and 422 of Internal Revenue Code of 1986, as amended, and Section 16(b) of the Securities Exchange Act of 1934, as amended, and the exemptive rules promulgated thereunder.

13. Board of Directors of Holding Company. The persons who shall constitute the Board of Directors of the Holding Company at the time the merger becomes effective shall be the persons who were then members of the Board of Directors of the Bank. The Board of Directors of the Holding Company shall be divided into classes identical in all respects to those currently in effect with respect to the Board of Directors of the Bank, and each person shall be designated to the class in which he or she served prior to the merger becoming effective, and shall serve until the subsequent annual meeting of shareholders of the Holding Company or until their successors are duly qualified and elected. Any vacancy in the Board of Directors of the Holding Company which may exist upon or after the effective date of the merger may be filled as provided by the Articles of Incorporation and Bylaws of the Holding Company.

14. Affiliates; Agreements Relating to Resales of Holding Company Securities. The Bank shall prepare and deliver to Holding Company, prior to completion of the merger, a list that identifies all persons whom the Bank believes may be deemed to be “affiliates” of Bank or

Holding Company under applicable securities laws. The Bank is shall use its commercially reasonable best efforts to cause each person whom it identifies on the list as a potential affiliate to deliver, at or prior to the completion of the transaction, a written agreement that the affiliate will not sell, pledge, transfer or otherwise dispose of any Holding Company shares issued to the affiliate pursuant to the transaction unless the sale, pledge, transfer or other disposition meets one of the following criteria: (1) it is made pursuant to an effective registration statement filed under the Securities Act; (2) it is in compliance with Rule 144; or (3) in the opinion of counsel, it is otherwise exempt from the registration requirements of the Securities Act.

15. Waiver. Any of the terms or conditions of this Plan may be waived in writing at any time by the Bank by action taken by its Board of Directors, whether before or after action by the Bank's shareholders, provided, however, that such action shall be taken only if, in the judgment of the Board of Directors, such waiver will not have a materially adverse effect on the benefits intended to be granted hereunder to the shareholders of the Bank.

16. Governing Law. This Plan shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, except as such may be pre-empted by federal law.

17. Entire Agreement. This Plan contains the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

18. Counterparts. This Plan may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

[signature page follows]

IN WITNESS WHEREOF, each of the parties hereto has caused this instrument to be executed by its Chief Executive Officer and its seal affixed, attested by its Secretary, all under authority of its Board of Directors.

Attest: [Corporate Seal]	MERIDIAN BANK
______________________________	By: ______________________________
Erica Burns Secretary	Christopher J. Annas President & CEO
Attest: [Corporate Seal]	MERIDIAN INTERIM BANK
______________________________ Erica Burns Secretary	By: ______________________________ Christopher J. Annas President & CEO
Attest: [Corporate Seal]	MERIDIAN CORPORATION
______________________________	By: ______________________________
Erica Burns Secretary	Christopher J. Annas President & CEO

EXHIBIT B

Entity #: 3886253
Date Filed: 06/08/2009
Pedro A. Cortés
Secretary of the Commonwealth

PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU

Articles of Incorporation-For Profit

(15 Pa.C.S.)

- [x] Business-stock (§ 1306)
- [ ] Business-nonstock (§ 2102)
- [ ] Business-statutory close (§ 2303)
- [ ] Cooperative (§ 7102)
- [ ] Management (§ 2703)
- [ ] Professional (§ 2903)
- [ ] Insurance (§ 3101)

M. BURR KEIM COMPANY
COUNTER PICK-UP

Document will be returned to the name and address you enter to the left. ⇦

Commonwealth of Pennsylvania
ARTICLES OF INCORPORATION 7 Page(s)

T0915967113

Fee: $125

In compliance with the requirements of the applicable provisions (relating to corporations and unincorporated associations), the undersigned, desiring to incorporate a corporation for profit, hereby states that:

1. The name of the corporation *(corporate designator required, i.e., "corporation", " incorporated", "limited" "company" or any abbreviation. "Professional corporation" or "P.C")*:

Meridian Corporation

2. The (a) address of this corporation's current registered office in this Commonwealth *(post office box, alone, is not acceptable)* or (b) name of its commercial registered office provider and the county of venue is:

(a) Number and Street	City	State	Zip	County
92 East Lancaster Avenue	Devon	PA	19333	Chester

(b) Name of Commercial Registered Office Provider — County

c/o: N/A

3. The corporation is incorporated under the provisions of the Business Corporation Law of 1988.

4. The aggregate number of shares authorized: See Article 7-A (att.)

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PA DEPT OF STATE

EXHIBIT B

DSCB:15-1306,2102/2303/2702/2903/3101/7102A-2

5. The name and address, including number and street, if any, of each incorporator *(all incorporators must sign below)*:

Name	Address
Christopher L Annas	92 E. Lancaster Avenue, Devon, PA 19333

6. The specified effective date, if any: N/A
month/day/year hour, if any

7. See additional provisions of these articles, Articles 7-A through 7-F, attached hereto and incorporated herein as if set forth in full.

8. ~~[illegible]~~

9. ~~[illegible]~~

IN TESTIMONY WHEREOF, the incorporator(s) has/have signed these Articles of Incorporation this 4th day of June, 2009.

C J Annas
Signature

Signature

EXHIBIT B

MERIDIAN CORPORATION
ARTICLES OF INCORPORATION
ATTACHMENT TO ARTICLE 7

The following provisions are to be attached to the Articles of Incorporation of this corporation as part of Article 7 thereof, and are deemed incorporated therein as if set forth in full:

ARTICLE 7-A
Capitalization

Section 1. The total number of shares of all stock which the corporation shall have authority to issue is (1) 10,000,000 shares of common stock ("Common Stock"), with a par value of one dollar ($1.00) per share; and (2) 5,000,000 shares of preferred stock with no stated par value.

Section 2. Shares of Common Stock or any security giving its holders the right to exercise or convert such security into Common Stock, may be issued from time to time as the Board of Directors of the corporation shall determine and on such terms and for such consideration as allowed by law and as fixed by the Board of Directors.

Section 3. No shareholder of any class or of any series of class shall have the preemptive right to purchase, pro rata or otherwise, additional shares of Common Stock, or any other security of the corporation. The Board of Directors, in its sole discretion, has authority to sell any treasury stock and/or unissued securities, options, warrants, or other rights to purchase any security of the corporation, upon such terms as it deems advisable, including without limitation terms established pursuant to a Board amendment permitted by Section 1522(b) of the Pennsylvania Business Corporation Law of 1988, as amended.

ARTICLE 7-B
Ownership Limitation

Section 1. Except as otherwise provided in this Article, no shareholder may have Holdings (as defined in Section 4 of this Article) of shares that exceed twenty percent (20%) of the issued and outstanding shares of Common Stock.

Section 2. Upon the resolution of at least two-thirds of the Board of Directors, the restriction imposed by Section 1 of this Article may be waived with respect to the Holdings, of any shareholder or shareholders.

Section 3. If any shareholder acquires Holdings which cause the violation of the restriction contained in Section 1 of this Article, the Board of Directors may (i) terminate all voting rights attributable to the shares owned beneficially by such shareholder (the "Substantial Shareholder") during the time that Section 1 of this Article is being violated;

(ii) commence litigation to require the divestiture of such amount of the shares so that after such divestiture the shareholder would no longer be in violation of the restriction contained in Section 1 of this Article; or (iii) take such other action as is appropriate under the circumstances.

Section 4. A shareholder's Holdings, as such term is used in this Article are: (i) the Common Stock the shareholder owns of record; (ii) the Common Stock to which the shareholder has direct or indirect beneficial ownership and (iii) the Common Stock owned of record or beneficially (as defined in this Section) by other shareholder(s) acting together with the shareholder as a group for the purpose of acquiring, holding or disposing of Common Stock (such group is hereinafter referred to as a "Shareholder Group"). The Board of Directors may use, but is not necessarily limited to, the following indicia to determine "beneficial ownership": the effect of stock ownership by a person's spouse and minor children; ownership of shares held by a corporation or foundation of which a Substantial Shareholder is an officer or affiliate; the extent of a Substantial Shareholder's ownership of partnership shares; transfers pursuant to divorce; installment purchases; stock warrants, grants and options; control over the voting power of any stock; the status of a Substantial Shareholder as trustee, trust beneficiary or settler of a trust of which part of all of the corpus is shares of the common stock of the corporation; and stock dividends. The Board of Director's determination of the existence and membership of a Shareholder Group, of a shareholder's Holdings and of the record are conclusive, absent proof of bad faith.

Section 5. This Article may not be amended unless approved by the affirmative vote of at least two-thirds (2/3) of the outstanding shares of Common Stock of the corporation.

ARTICLE 7-C
Control Transactions

Section 1 Section 1610 of the Banking Code of 1965 (relating to the right of shareholders of a bank to receive payment for shares following a control transaction) shall not apply to the corporation.

ARTICLE 7-D
Cumulative Voting Rights

Section 1. Shareholders shall not be entitled to cumulate their votes for directors.

ARTICLE 7-E
Acquisition Offers

Section 1. The Board of Directors may, if it deems it advisable, oppose a tender or other offer for the corporation's securities, whether the offer is in cash or in the securities of a corporation or otherwise. When considering whether to oppose an offer, the Board of Directors may, but is not legally obligated to, considers any relevant or pertinent issue; by way of illustration, but not of limitation, the Board of Directors may, but shall not be legally obligated to, consider any or all of the following:

(a) whether the offer price is acceptable based on the historical and present operating results or financial condition of the corporation;
(b) whether a more favorable price could be obtained for the corporation's securities in the future;
(c) the social and economic effects of the offer or transaction on this corporation and any of its subsidiaries, employees, depositors, loan and other customers, creditors, shareholders and other elements of the communities in which this corporation and any of its subsidiaries operate or are located;
(d) the business and financial conditions and earnings prospects of the offeror, including, but not limited to, debt service and other existing or likely financial obligations of the offeror, and the possible affect of such conditions upon this corporation and any of its subsidiaries and the other elements of the communities in which this corporation and any of its subsidiaries operate or are located;
(e) the value of the securities (if any) which the offeror is offering in exchange for the corporation's securities, based, on an analysis of the worth of the corporation as compared to the corporation whose securities are being offered;
(f) any antitrust or other legal and regulatory issues that are raised by the offer.

Section 2. If the Board of Directors determines that an offer should be rejected, it may take any lawful action to accomplish its purpose including, but not limited to, the following: advising shareholders not to accept the offer; litigation against the offeror; filing complaints with all governmental and regulatory authorities; acquiring securities; selling or otherwise issuing authorized but unissued securities or treasury stock or granting options with respect thereto; acquiring a company to create an antitrust or other regulatory problem for the offeror; or obtaining a more favorable offer from another individual or entity.

Section 3. This Article may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds (2/3) of the outstanding shares of common stock of the corporation.

ARTICLE 7-F
Indemnification

Section 1. The corporation shall, to the fullest extent permitted by applicable law, indemnify any and all persons whom it shall have the power to indemnify from and against any and all expenses, liabilities or other matter for which indemnification is permitted by applicable law, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

EXHIBIT C

BYLAWS
OF
MERIDIAN CORPORATION

Article 1
PURPOSE

Section 1.1 These are the duly adopted bylaws of Meridian Corporation (the "Corporation"), a Pennsylvania business corporation.

Section 1.2 The Corporation shall have and continuously maintain in Pennsylvania a registered office which may, but need not, be the same as its place of business and at an address to be designated from time to time by the Board of Directors.

Section 1.3 The Corporation may also have offices at such other places as the Board of Directors may from time to time designate or the business of the Corporation may require.

Article 2
SHAREHOLDERS MEETINGS

Section 2.1 All meetings of the shareholders shall be held within the Commonwealth of Pennsylvania at such time and place as may be fixed from time to time by the Board of Directors. Any meeting of shareholders may be held in whole or in part by means of the Internet or other electronic communications technology in the manner and if permitted by law and as determined by the Board of Directors.

Section 2.2 The annual meeting of the shareholders shall be held at such time and place as may be set by the Board of Directors but not later than September 30 in each year, when the shareholders shall elect directors to the Board of Directors and transact such other business as may properly be brought before the meeting.

Section 2.3 Special meetings of the shareholders may be called at any time by the Chairman of the Board, the Chief Executive Officer, a majority of the Board of Directors or by one or more shareholders entitled to cast at least one-fifth of the votes which all shareholders are entitled to cast at the particular meeting.

Section 2.4 Written notice of all shareholder meetings, other than adjourned meetings of shareholders, shall state the place, date and hour of the meeting and shall be given to the shareholders of record entitled to vote at such meeting either personally or by sending a copy thereof through the mail, or by telegram, charges prepaid, to his/her address appearing on the books of the Corporation or supplied by him to the Corporation for the purpose of notice, or by any other means permitted by law, at least five (5) days before such meeting unless a greater period of notice is required by applicable law. If the notice is sent by mail or by telegraph, it shall be deemed to have been given to the shareholder when deposited in the United States mail or with a telegraph office for transmission to such person. In the case of a special meeting of shareholders, the notice shall also include the general nature of the business to be transacted.

Section 2.5 At any annual or special meeting of shareholders, no shareholder shall be entitled to present new business, any proposal, or additional items for action by the shareholders, for consideration at the meeting, unless the shareholder shall have delivered to the Secretary of the Corporation a written notice setting forth in detail the new business, proposal or additional item for action by the shareholders, in the form to be acted upon or considered in the meeting. Such notice shall be delivered in such manner that it is received by the Secretary at least five (5) days before the date of the meeting, or else the chairman of the meeting shall not be obligated to recognize such matter as eligible for consideration at that meeting. The Corporation shall not be obligated to notify shareholders, in advance of any meeting, of any shareholder proposals that have been received or may be presented at the meeting.

Article 3
QUORUM OF SHAREHOLDERS

Section 3.1 The presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote shall constitute a quorum. If a meeting cannot be organized for lack of a quorum, those present may adjourn the meeting to such time and place as they may determine. In the case of a meeting for the election of directors which is twice adjourned for lack of a quorum, those present at the second of such adjourned meetings shall constitute a quorum for the election of directors without regard to the other quorum requirements of this section, the Articles of Incorporation or these bylaws.

Article 4
VOTING RIGHTS

Section 4.1 Except as may be otherwise provided by applicable law or the Articles of Incorporation, at every shareholders meeting, every shareholder entitled to vote thereat shall have the right to one vote for every share having voting power standing in his or her name on the records of the Corporation on the record date fixed for the meeting. No share shall be voted at any meeting if an installment is due and unpaid thereon.

Section 4.2 When a quorum is present at any meeting the vote of the holders of a majority of the stock having voting power, present, in person or by proxy, shall decide any question brought before such meeting except as provided differently by law or by the Articles of Incorporation.

Article 5
PROXIES

Section 5.1 Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him or her by proxy. Every proxy shall be executed in writing by the shareholder or his or her duly authorized attorney in fact and filed with the Secretary of the Corporation. Each proxy shall be revocable at will except solely to the extent that it states expressly that it is irrevocable, and then only to the extent that it is coupled with an interest. The revocation of a proxy shall not be effective until notice thereof has been given to the Secretary of the Corporation. No unrevoked proxy shall be valid after 11 months or such longer period expressly provided therein not in excess of 3 years from the date of execution, unless revoked earlier or unless coupled with an interest. A proxy shall not be revoked by the death or incapacity of the maker, unless before the vote is counted or the authority is exercised, written notice of such death or an adjudication of incapacity is given to the Secretary of the Corporation.

Article 6
RECORD DATE

Section 6.1 The Board of Directors may fix a time, not more than sixty (60) days prior to the date of any meeting of shareholders, or the date fixed for the payment of any dividend or distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares will be made or go into effect, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend or distribution, or to receive any such allotment of rights, or to exercise the rights in respect to any such change, conversion or exchange of shares. The Board of Directors may close the records of the Corporation against transfers of shares during the whole or any part of such period, and in such case written or printed notice thereof shall be mailed at least 10 days before closing thereof to each shareholder of record at the address appearing on the records of the Corporation or supplied by him or her to the Corporation for the purpose of notice. While the stock transfer records of the Corporation are closed, no transfer of shares shall be made thereon. If no record date is fixed by the Board of Directors for the determination of shareholders entitled to receive notice of, and vote at, a shareholders meeting, transferees of shares which are transferred on the records of the Corporation within 10 days next preceding the date of such meeting shall not be entitled to notice of or to vote at such meeting.

Article 7
VOTING LISTS

Section 7.1 The officer or agent having charge of the transfer records for shares of the Corporation shall make, at least 5 days before each meeting of shareholders, a complete alphabetical list of the shareholders entitled to vote at the meeting, with their addresses and the number of shares held by each, which list shall be kept on file at the registered office or principal place of business of the Corporation and shall be subject to inspection by any shareholder during normal business hours and at the time and place of the meeting during the entire meeting. The original transfer records for shares of the Corporation, or a duplicate thereof kept in this Commonwealth, shall be prima facie evidence as to who are the shareholders entitled to exercise the rights of a shareholder.

Article 8
JUDGES OF ELECTION

Section 8.1 In advance of any meeting of shareholders, the Board of Directors may appoint judges of election and any alternates, who need not be shareholders, to act at such meeting or any adjournment thereof. If judges of election are not so appointed, the Chairman of any such meeting may, and on the request of any shareholder or his or her proxy shall, make such appointment at the meeting. The number of judges shall be one or three. If appointed at a meeting on the request of one or more shareholders or proxies, the majority of shares present and entitled to vote shall determine whether one or three judges are to be appointed. No person who is a candidate for office shall act as a judge.

Section 8.2 In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the Board of Directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof.

Section 8.3 The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

Section 8.4 On request of the presiding officer of the meeting, or of any shareholder, the judges of election shall make a report in writing of any challenge or question or matters determined by them.

Article 9
CONSENT OF SHAREHOLDERS IN LIEU OF MEETING

Section 9.1 Any action required to be taken at a meeting of the shareholders, or of a class of shareholders, may be taken without a meeting, if a consent or consents in writing setting forth the action so taken shall be signed by all of the shareholders who would be entitled to vote on such action at a meeting and shall be filed with the Secretary of the Corporation.

Section 9.2 The consent or consents in writing required by this Article 9 may be given by proxy in accordance with Section 5.1 hereof.

Article 10
DIRECTORS

Section 10.1 Nominations for the election of directors may be made by the Board of Directors or by any shareholder entitled to vote in the election of directors. All nominations made by any shareholder must be made in writing, delivered or mailed by registered or certified mail, postage prepaid, return receipt requested, to the Secretary of the Corporation not less than 90 days nor more than 120 days prior to any meeting of the shareholders called for the election of directors. If less than 90 days' notice of the meeting is given to the shareholders, the nomination shall be delivered or mailed to the Secretary not later than the close of the 7th day following the day on which notice of the meeting was mailed to shareholders. Every nomination shall be signed by the nominating shareholder or shareholders and shall include: (i) the signed, written consent of the person nominated to serve as a director; (ii) the name, age, business address and residence address of the nominee; (iii) the principal occupation or employment of the nominee; (iv) a statement whether the nominee is also a director or officer of any other banking, securities, insurance or financial securities organization, and if so the name and address of each such organization; (v) a completed and signed financial and biographical statement concerning the nominee in the form require by applicable banking regulators; (vi) the number of shares of the Corporation beneficially owned by the nominee; (vii) the name and address of the nominating shareholder; and (viii) the number of shares of the Corporation owned by the nominating shareholder. The Chairman of any meeting called for the election of directors shall reject any nomination made by any shareholder which was not made in accordance with the provisions of this Section, unless the Board of Directors has agreed to waive said provisions as to such nomination. In the event that the same person is nominated by more than one shareholder, if at least one nomination for such person complies with this Section, the nomination shall be honored and all votes cast for such nominee shall be counted. Nominations for the election of directors made by the Board of Directors need not comply with the provisions of this Section.

Section 10.2 Subject to applicable law, the Articles of Incorporation and these Bylaws, the number of directors shall be determined from time to time by resolution adopted by an affirmative majority vote of the Board of Directors. The number of directors shall be not less than five (5) or more than fifteen (15).

Section 10.3 The Board of Directors shall be divided into three classes (Class A, Class B and Class C), as nearly equal in number as the then total number of directors constituting the whole Board permits, with the term of office of one class expiring each year. At the first annual meeting of shareholders, directors in Class A shall be elected to hold office for a 1-year term; directors in Class B shall be elected to hold office for a 2-year term; and directors in Class C shall be elected to hold office for a 3-year term. Each class of directors shall be elected in a separate election. The term of office, until otherwise fixed, for all directors elected at each annual meeting held after the first annual meeting shall be 3 years from the date of their election.

Section 10.4 Any director may resign at any time by sending a written notice of such resignation to the Corporation addressed to the Chief Executive Officer. Such resignation shall be effective upon the Chief Executive Officer's receipt of such notice, or at such later date as may be provided in the written notice of resignation.

Section 10.5 The Directors shall be natural persons of full age and need not be residents of Pennsylvania. Each Director shall own, from time to time, the minimum qualifying interest in the Corporation as determined by the Board of Directors.

Article 11
VACANCIES ON BOARD OF DIRECTORS

Section 11.1 Any vacancies in the Board of Directors for any reason, including vacancies caused by any increase in the number of directors, may be filled by the Board of Directors, acting by a majority of the directors then in office, although less than a quorum. Any director chosen to fill a vacancy in any class of directors shall become a member of the class of directors in which the vacancy occurred. Such director shall hold office for the remainder of the original term of such vacancy.

Article 12
POWERS OF BOARD OF DIRECTORS

Section 12.1 The business and affairs of the Corporation shall be managed by its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by applicable law or by the Articles of Incorporation or by these Bylaws directed or required to be exercised and done by the shareholders.

Article 13
MEETINGS OF THE BOARD OF DIRECTORS

Section 13.1 An organization meeting may be held immediately following the annual shareholders meeting without the necessity of notice to the directors to constitute a legally convened meeting, or the directors may meet at such time and place as may be fixed by either a notice or waiver of notice or consent signed by all of such directors.

Section 13.2 Regular meetings of the Board of Directors shall be held not less often than ten (10) times per calendar year, at a time and place determined by the Board of Directors. One or more directors may participate in any regular meeting of the Board of Directors, or of any committee thereof, by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear one another.

Section 13.3 Special meetings of the Board of Directors may be called by the Chairman of the Board or the Chief Executive Officer and shall be called at the request of any three Directors. Not less than 1 day's notice of each special meeting shall be given to each director. One or more directors may participate in any special meeting of the Board of Directors, or of any committee thereof, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear one another.

Section 13.4 At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business. In the absence of the Secretary, the Board of Directors may designate any director or officer present at a meeting to be a secretary of the meeting. If a quorum is present, the acts of a majority of the directors present shall be the acts of the Board of Directors, except as may be otherwise specifically provided by applicable law or by the Articles of Incorporation or by these Bylaws.

Section 13.5 A director of the Corporation who is present at a meeting of the Board of Directors at which action on any matter is taken shall be presumed to have assented to the action taken unless his or her dissent or abstention shall be entered into the minutes of the meeting or unless he or she shall file his written dissent to such action with the person acting as the secretary of the meeting before the minutes are formally approved by the Board of Directors or shall forward such dissent by registered mail to the secretary of the Corporation within 5 days after the date a copy of the minutes of the meeting is received. Such right to dissent shall not apply to a director who voted in favor of such action.

Article 14
INFORMAL ACTION BY THE BOARD AND COMMITTEES

Section 14.1 Any action which may be taken at a meeting of the Board of Directors or any committee thereof may be taken without a meeting if a consent or consents in writing setting forth the action shall be signed by all of the directors or all of the members of the committee in question and shall be filed with the secretary of the Corporation.

Article 15
COMPENSATION OF DIRECTORS

Section 15.1 Directors, as such, may receive a stated salary for their services or fixed sum and expenses for attendance at regular and special meetings, or any combination of the foregoing as may be determined from time to time by resolution of the Board of Directors, and nothing contained herein shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefore. In addition to or in lieu of the foregoing, Directors may be compensated with shares or options to purchase shares of the Corporation's stock.

Article 16
COMMITTEES

Section 16.1 The standing committees which shall be appointed from time to time by the Board of Directors shall be the Audit Committee, the Loan and Investment Committee, the Compensation Committee and such other committees as may be deemed necessary by the Board or shareholders for efficient operation of the Corporation.

Section 16.2 The Audit Committee shall consist of not less than three nor more than five Directors, none of whom shall be active officers of the Corporation, and a majority of whom shall constitute a quorum. The Audit Committee, or the full Board of Directors in absence of action by the Audit Committee, shall at least once in each year cause to be made, by a certified public accountant selected for the purpose, an independent audit of the Corporation's financial condition and results of operation. Upon completion of the audit the certified public accountant shall make a report thereof and its recommendations to management in accordance with applicable law and any requirements imposed by the Audit Committee or the Board of Directors.

Section 16.3 Each committee shall elect a presiding officer from its members and, except to the extent provided by these Bylaws or resolution of the Board of Directors, may fix its own rules of procedure which shall not be inconsistent with express requirements of these Bylaws or any resolution of the Board of Directors applicable to such committee. It shall keep regular minutes of proceedings and report the same to the Board of Directors for its information at the meeting held next after the proceedings shall have occurred.

Article 17
OFFICERS

Section 17.1 The Chairman shall be elected by the Board of Directors at its initial annual organization meeting. The officers shall include a Chief Executive Officer, a President (who may, but need not, be the same individual as the Chief Executive Officer), a Secretary and a Treasurer. The Corporation shall also have one or more Vice Presidents and such other officers and assistant officers, and appoint such agents, as it shall deem necessary from time to time, who shall hold their offices for such terms, have such authority and perform such duties, as may from time to time be prescribed by the Chief Executive Officer and approved by the Board of Directors. The Board of Directors may, but need not, appoint a director or officer to act as secretary of the meeting to take minutes of any one or more meetings of the Board of Directors in the absence of the Secretary. Any two or more offices may be held by the same person except both the offices of President and of Treasurer.

Section 17.2 The Chairman of the Board shall preside at all meetings of the shareholders and directors. He or she shall also have and may exercise such further powers and duties as from time to time may be conferred upon or assigned to him or her by the Board of Directors.

Section 17.3 The Chief Executive Officer shall be a member of the Board of Directors, and shall have general and active management of the business of the Corporation and shall supervise the carrying out of the policies adopted or approved by the Board. The Chief Executive Officer shall have general executive powers as well as any specific powers and duties as may be conferred upon him or her by the Board, subject, however, to the right of the Board of Directors to delegate any specific powers, to any other officer or officers of the Corporation, except such as may be by law exclusively conferred on the Chief Executive Officer. The Chief Executive Officer shall have power to execute bonds, mortgages and other contracts requiring a seal under the seal of the Corporation, except where required by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

Section 17.4 The Vice Presidents shall have such duties and powers as may from time to time be assigned to them by the Chief Executive Officer, subject to the authority of the Board of Directors. One or more may be designated Executive Vice President or Senior Vice President.

Section 17.5 The Secretary shall keep the minutes of the meetings of the shareholders and of the Board of Directors. He or she shall have charge of the corporate records, papers, and the corporate seal of the Corporation. He or she shall give notice of all meetings of shareholders, of the Board of Directors (and of special meetings of any executive committee).

Section 17.6 The Treasurer shall be responsible for all money, funds, securities, fidelity and indemnity bonds and other valuables belonging to the Corporation; shall cause to be kept proper records of the transactions of the Corporation; and shall perform such other duties as may be assigned to him or her from time to time by the Chief Executive Officer, subject to the authority of the Board of Directors.

Section 17.7 The compensation of the Chief Executive Officer of the Corporation shall be fixed by the Board of Directors, or by the Compensation Committee with the approval of the Board of Directors.

Section 17.8 Notwithstanding any contract or agreement of the Corporation or any written statement or policy, all officers and employees serve at the will of the Board of Directors and may be terminated at any time by the Board of Directors without prior notice, subject however, to any damages or other remedies which may be available for such termination under any agreement or applicable law.

Article 18
INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

Section 18.1 A director of the Corporation shall stand in a fiduciary relation to the Corporation and shall perform his or her duties as a director, including his or her duties as a member of any committee of the board upon which he or she may serve, in good faith, in a manner he or she reasonably believes to be in the best interests of the Corporation, and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. In performing his or her duty, a director shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following: (a) one or more officers or employees of the Corporation whom the director reasonably believes to be reliable and competent in the matters presented; (b) legal counsel, public accountants or other persons as to matters which the director reasonably believes to be within the professional or expert competence of such person; (c) a committee of the Board of Directors upon which he or she does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the director reasonably believes to merit confidence. A director shall not be considered to be acting in good faith if he or she has knowledge concerning the matter in question that would cause his or her reliance to be unwarranted.

Section 18.2 In discharging the duties of their respective positions, the Board of Directors, committees of the board, and individual directors may, in considering the best interests of the Corporation, consider the effects of any action upon employees, upon suppliers and customers of the Corporation and upon communities in which offices or other establishments of the Corporation are located, and all other pertinent factors. The consideration of those factors shall not constitute a violation of Section 18.1.

Section 18.3 Absent a breach of fiduciary duty, lack of good faith or self-dealing, or breach of applicable law or regulations, actions taken as a director or any failure to take any action shall be presumed to be in the best interests of the Corporation.

Section 18.4 A director of the Corporation shall not be personally liable for monetary damages as such for any action taken or for any failure to take any action to the extent that: (a) the director has not breached or failed to perform the duties of his or her office under the provisions of Sections 18.1 and 18.2; and (b) the breach or failure to perform does not constitutes self-dealing, willful misconduct or recklessness or breach of applicable law or regulations.

Section 18.5 The Corporation shall indemnify any director, officer and/or employee, or any former director, officer and/or employee, who was or is a party to, or is threatened to be made a party to, or who is called to be a witness in connection with, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that such person is or was a director, officer and/or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of a corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

Section 18.6 Except as may be otherwise ordered by a court, there shall be a presumption each director, officer and/or employee is entitled to indemnification as provided in Section 18.5 of this Article unless either a majority of the directors who are not involved in such proceedings ("disinterested directors") or, if there are less than three disinterested directors, then the holders of one-third of the outstanding shares of the Corporation determine that the person is not entitled to such presumption by certifying such determination in writing to the Secretary of the Corporation. In such event the disinterested director(s) or, in the event of certification by shareholders, the Secretary of the Corporation shall request of independent counsel, who may be the outside general counsel of the Corporation, a written opinion as to whether or not the parties involved are entitled to indemnification under Sections 18.5 of this Article.

Section 18.7 Expenses incurred by a director, officer and/or employee in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided under Section 18.6 of this Article upon receipt of an undertaking by or on behalf of the director, officer and/or employee to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation.

Section 18.8 The indemnification provided by this Article shall not be deemed exclusive of any other rights, to which a person seeking indemnification may be entitled under any agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his or her official capacity while serving as a director, officer and/or employee and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer and/or employee and shall inure to the benefit of the heirs, executors and administrators of such a person. The Corporation shall have the authority to enter into a separate indemnification agreement with any officer, director, employee or agent of the Corporation or any subsidiary providing for such indemnification of such person as the Board of Directors shall determine up to the fullest extent permitted by law.

Section 18.9 The Corporation may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations arising under this Article.

Section 18.10 The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer and/or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer and/or employee of a corporation, partnership, joint venture trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article.

Section 18.11 Indemnification, advancement of expenses and other actions under this Article shall not be made in any case where applicable banking laws or regulations prohibit the same, or where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness.

Article 19
DIVIDENDS

Section 19.1 Subject to the requirements of applicable law, the Board of Directors may, from time to time, at any duly convened regular or special meeting or by unanimous consent in writing, declare and pay dividends upon the outstanding shares of capital stock of the Corporation in cash, property or shares of the Corporation (including without limitation a stock split effected in the form of a stock dividend), as long as any dividend shall not be in violation of law or the Articles of Incorporation.

Article 20
FINANCIAL REPORTS TO SHAREHOLDERS

Section 20.1 In addition to any other requirements imposed by applicable law , the Chief Executive Officer and the Board of Directors shall present to the Corporation’s shareholders, at or prior to each annual meeting of the shareholders, a full and complete statement of the business and affairs of the Corporation for the preceding fiscal year.

Article 21
SIGNING AND APPROVAL AUTHORITIES

Section 21.1 In addition to the specific approval and signing authorities, or any limitations thereon, provided by applicable law, the Articles of Incorporation or these Bylaws, the various officers and employees of the Corporation shall have such authorities to approve transactions and sign or otherwise execute agreements, checks, orders, items, instruments, certificates and other documents, as the Board of Directors may establish from time to time by resolution or resolutions.

Article 22
FISCAL YEAR

Section 22.1 The fiscal year of the Corporation shall end on December 31 in each year.

Article 23
WAIVER OF NOTICES

Section 23.1 Any written notice required to be given hereunder need not be given if there is a waiver thereof in writing, signed by the person entitled to such notice, whether before or after the time when the notice would otherwise be required to be given. Attendance of any person entitled to notice, whether in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where any person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened. Where written notice is required of any meeting, the waiver thereof must specify the purpose only if it is for a special meeting of shareholders. To the extent that applicable law gives electronic communications or signatures the effect of written communications or signatures, any such waiver may be made by electronic means.

Article 24
EMERGENCIES

Section 24.1 The Board of Directors may adopt emergency Bylaws, subject to repeal or change by action of the shareholders, which shall, notwithstanding any different provisions of law, of the Articles of Incorporation or of these Bylaws, be effective during any emergency resulting from an attack on the United States, a nuclear disaster or another catastrophe as a result of which a quorum of the Board of Directors cannot readily be assembled ("Emergency Bylaws"). The Emergency Bylaws may make any provision that may be appropriate for the circumstances of the emergency including, procedures for calling meetings of the Board of Directors, quorum requirements for meetings and procedures for designating additional or substitute directors.

Section 24.2 The Board of Directors, either before or during any emergency, may provide, and from time to time modify, lines of succession in the event that during the emergency any or all officers or agents of the Corporation shall for any reason be rendered incapable of discharging their duties and may, effective in the emergency, change the head offices or designate several alternative head offices or regional offices of the Corporation or authorize the officers to do so.

Section 24.3 A representative of the Corporation acting in accordance with Emergency Bylaws shall not be liable except for willful misconduct and shall not be liable for any action taken by him or her in good faith in an emergency in furtherance of the ordinary business affairs of the Corporation even though not authorized by the Emergency Bylaws.

Section 24.4 To the extent not inconsistent with any Emergency Bylaws so adopted, the Bylaws of the Corporation shall remain in effect during any emergency and, upon its termination, the Emergency Bylaws shall cease to be effective.

Section 24.5 Unless otherwise provided in Emergency Bylaws, notice of any meeting of the Board of Directors during an emergency shall be given only to those directors to whom it is feasible to reach at the time and by such means as are feasible at the time, including publication, radio or television. To the extent required to constitute a quorum at any meeting of the Board of Directors during any emergency, the officers of the Corporation who are present shall, unless otherwise provided in Emergency Bylaws, be deemed, in order of rank and within the same rank in order of seniority, directors for the meeting.

Article 25
CORPORATE SEAL

Section 25.1 The Board of Directors may adopt a corporate seal for the Corporation for use in sealing executed documents and instruments. The corporate seal shall be in such form as the Board of Directors may determine from time to time.

Article 26
AMENDMENTS

Section 26.1 These Bylaws may be altered, amended or repealed by either (i) the affirmative vote of the holders of a majority of the outstanding shares of Common Stock at a regular or special meeting of the shareholders; or (ii) action of the Board of Directors (except the directors shall not make or alter any bylaws fixing their qualification, classification or term of office), subject always to the power of the shareholders to change such action of the Board of Directors by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Meridian Bank:

We have audited the accompanying consolidated balance sheets of Meridian Bank and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Meridian Bank and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Philadelphia, Pennsylvania
March 31, 2016
(except, September 25, 2017 as to Note 2, 19 and 20)

Meridian Bank and Subsidiaries

Consolidated Balance Sheets
December 31, 2016 and 2015

(in thousands, except share data)		2016	2015
Cash and due from banks	$	18,478	19,121
Federal funds sold		394	38
Cash and cash equivalents		18,872	19,159
Securities available-for-sale, amortized cost of $33,501 in 2016 and $24,216 in 2015		33,027	24,092
Securities held-to-maturity, fair value of $14,344 in 2016 and $15,799 in 2015		14,525	15,647
Mortgage loans held for sale, amortized cost of $39,263 in 2016 and $82,542 in 2015		39,573	83,684
Loans, net of fees and costs (includes $9,316 of loans at fair value, amortized cost of $9,207)		604,291	500,744
Allowance for loan losses		(5,425)	(5,298)
Loans, net of the allowance for loan losses		598,866	495,446
Restricted investment in bank stock		7,355	7,215
Bank premises and equipment, net		8,716	6,151
Bank owned life insurance		4,994	4,869
Accrued interest receivable		2,123	1,950
Other real estate owned		—	189
Deferred income taxes		1,270	414
Other assets		4,372	4,528
Total assets	$	733,693	663,344
Liabilities:			
Deposits:			
Noninterest bearing	$	96,102	60,500
Interest-bearing		431,034	430,068
Total deposits		527,136	490,568
Short-term borrowings		105,553	85,825
Long-term debt		12,800	15,600
Subordinated debentures		13,376	13,445
Accrued interest payable		194	159
Other liabilities		4,671	4,826
Total liabilities		663,730	610,423
Stockholders' equity:			
Preferred stock, no stated par value. Authorized 5,000,000 shares; liquidation preference of $1,000 per share, 12,845 outstanding (total preferred stock liquidation value $12,845)		12,845	12,845
Common stock, $1 par value. Authorized 10,000,000 shares; issued and outstanding 3,685,368 and 2,597,547 shares as of December 31, 2016 and 2015, respectively.		3,685	2,598
Surplus		39,887	24,404
Retained earnings		13,854	13,154
Accumulated other comprehensive loss		(308)	(80)
Total stockholders' equity		69,963	52,921
Total liabilities and stockholders' equity	$	733,693	663,344

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Income
Years ended December 31, 2016 and 2015

(dollars in thousands)

		2016	2015
Interest income:			
Loans, including fees	$	30,117	27,230
Securities:			
Taxable		372	374
Tax-exempt		426	321
Cash and cash equivalents		65	56
Total interest income		30,980	27,981
Interest expense:			
Deposits		3,470	3,104
Borrowings		1,722	1,486
Total interest expense		5,192	4,590
Net interest income		25,788	23,391
Provision for loan losses		1,198	1,434
Net interest income after provision for loan losses		24,590	21,957
Noninterest income:			
Mortgage banking income		41,431	33,665
Earnings on investment in life insurance		125	124
Net change in the fair value of derivative instruments		(122)	423
Net change in the fair value of loans held-for-sale		(833)	487
Net change in the fair value of loans held-for-investment		30	—
Gain (loss) on sale of investment securities available-for-sale		3	(32)
Service charges		66	49
Other		2,144	1,405
Total noninterest income		42,844	36,121
Noninterest expenses:			
Salaries and employee benefits		40,852	33,011
Occupancy and equipment		2,946	2,292
FDIC assessment		625	912
Professional fees		1,762	1,452
Data processing		1,146	932
Advertising and promotion		1,727	1,478
Loan expenses		6,686	5,610
Other		4,169	2,955
Total noninterest expenses		59,913	48,642
Income before income taxes		7,521	9,436
Income tax expense		2,599	3,248
Net income		4,922	6,188
Dividends on preferred stock		(1,156)	(1,099)
Net income for common stockholders	$	3,766	5,089
Basic earnings per common share	$	1.12	1.91
Diluted earnings per common share	$	1.11	1.88

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Comprehensive Income
Years ended December 31, 2016 and 2015

(dollars in thousands)

		2016	2015
Net income:	$	4,922	6,188
Other comprehensive income:			
Net change in unrealized gains on investment securities available for sale:			
Net unrealized gains arising during the period, net of tax (benefit) expense of ($123) and $12, respectively		(230)	22
Less: reclassification adjustment for net losses on sales realized in net income, net of tax (benefit) expense of ($1) and $11, respectively		2	21
Unrealized investment gains (losses), net of tax expense (benefit) of ($124) and $23, respectively		(228)	43
Total other comprehensive income		(228)	43
Total comprehensive income	$	4,694	6,231

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Stockholders' Equity
Years ended December 31, 2016 and 2015

(dollars in thousands)

		Preferred Stock	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2014	$	12,845	2,405	21,849	8,065	(123)	45,041
Comprehensive income:							
Net income					6,188		6,188
Change in unrealized gains on securities available-for-sale, net of tax						43	43
Total comprehensive income							6,231
Dividends on preferred stock					(1,099)		(1,099)
Common stock dividend			—	—	—		—
Issuance of common stock			137	1,849			1,986
Notes repaid for common stock				195			195
Share-based awards and exercises			56	449			505
Excess tax benefit on share based awards				23			23
Compensation expense related to stock option grants				39			39
Balance, December 31, 2015	$	12,845	2,598	24,404	13,154	(80)	52,921
Comprehensive income:							
Net income					4,922		4,922
Change in unrealized gains on securities available-for-sale, net of tax						(228)	(228)
Total comprehensive income							4,694
Dividends on preferred stock					(1,156)		(1,156)
Common stock dividend			175	2,891	(3,066)		—
Issuance of common stock			891	12,242			13,133
Notes repaid for common stock				52			52
Share-based awards and exercises			21	123			144
Compensation expense related to stock option grants				175			175
Balance, December 31, 2016	$	12,845	3,685	39,887	13,854	(308)	69,963

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Cash Flows
Years ended December 31, 2016 and 2015

(dollars in thousands)

		2016	2015
December 31, 2016 and 2015			
Net income	$	4,922	6,187
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain (loss) on sale of investment securities		3	(32)
Depreciation and amortization		1,788	815
Provision for credit losses		1,198	1,434
Compensation expense for stock options		175	39
Net change in fair value of loans held for sale		833	(487)
Net change in fair value of derivative instruments		122	(423)
Net (gain) loss on sale and write down of OREO and other repossessed property		24	(24)
Proceeds from sale of loans		994,951	822,349
Loans originated for sale		(910,239)	(826,816)
Mortgage banking income		(41,431)	(33,665)
Increase in accrued interest receivable		(173)	(650)
Decrease (increase) in other assets		932	(1,307)
Earnings from investment in life insurance		(125)	(124)
Increase in accrued interest payable		35	7
Deferred income tax (benefit) expense		(732)	215
Decrease in other liabilities		(155)	(1,254)
Net cash provided by (used in) operating activities		52,128	(33,736)
Cash flows from investing activities:			
Activity in available-for-sale securities:			
Maturities, repayments and calls		6,321	11,318
Purchases		(16,235)	(16,134)
Activity in held-to-maturity securities:			
Maturities, repayments and calls		1,000	3,203
Purchases		—	(7,393)
Settlement of forward contracts		(965)	(821)
Increase in restricted stock		(140)	(1,570)
Net increase in loans		(104,618)	(21,061)
Purchases of premises and equipment		(3,542)	(1,324)
Proceeds from sale of OREO		165	233
Net cash used in investing activities		(118,014)	(33,549)
Cash flows from financing activities:			
Net increase in deposits		36,568	27,859
Increase in short term borrowings		15,728	44,844
Principal repayment of long term debt (subordinated debt)		(69)	—
Proceeds from long term debt (FHLB advances)		1,200	1,800
Issuance of common stock		13,133	1,986
Share based awards and exercises		144	505
Notes repaid (received) for common stock		52	195
Excess tax benefit on share based awards		—	23
Dividends paid on preferred stock		(1,156)	(1,099)
Net cash provided by financing activities		65,600	76,113
Net change in cash and cash equivalents		(286)	8,828
Cash and cash equivalents at beginning of year		19,158	10,330
Cash and cash equivalents at end of year	$	18,872	19,158
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$	5,157	4,583
Income taxes		2,722	3,696
Supplemental disclosure of noncash flow information:			
Available for sale securities purchased, not settled	$	—	756
Common stock dividend		3,066	—

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

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

(b) Estimates

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

(c) Significant Concentrations of Credit Risk

Most of the Bank's activities are with customers located within the tri-state area of Pennsylvania, Delaware and New Jersey. Note 2 discusses the types of securities that the Bank invests in. Note 3 discusses types of lending that the Bank engages in. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the region's economy. The Bank does not have any significant concentrations to any one industry or customer, however there is significant concentration of commercial real estate-backed loans, amounting to 38% and 34% of total loans held for investment, as of December 31, 2016 and December 31, 2015, respectively.

(d) Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are purchased or sold for one day periods. Cash balances required to meet regulatory reserve requirements of the Federal Reserve Board amounted to $5.7 million at December 31, 2016.

(e) Securities

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

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

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

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

The Bank's accounting policy specifies that (a) if the Bank does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired, unless there is a credit loss. When the Bank does not intend to sell the security, and it is more likely than not, the Bank will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. The Bank did not recognize any other-than-temporary impairment charges during the years ended December 31, 2016 and 2015.

(f) Loans Receivable

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

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

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

(g) Allowance for Loan Losses

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Charge-offs for retail consumer loans are generally made for any balance not adequately secured after 120 cumulative days past due.

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

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

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

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

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

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

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

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

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

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

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

(i) Other Real Estate Owned

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

(j) Restricted Investment in Bank Stock

Restricted bank stock is principally comprised of stock in the Federal Home Loan Bank of Pittsburgh (FHLB). Federal law requires a member institution of the FHLB to hold stock according to a predetermined formula. As of December 31, 2016 and 2015, the Bank had an investment of $7,305,300 and $7,164,600, respectively, related to the FHLB stock. Also included in restricted stock is Atlantic Central Bankers Bank (primary correspondent bank) stock in the amount of $50,000 as of December 31, 2016 and 2015, respectively. All restricted stock is carried at cost.

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

Management believes no impairment charge is necessary related to the FHLB restricted stock as of December 31, 2016 or 2015.

(k) Transfers of Financial Assets

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

(l) Bank Premises and Equipment

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

(m) Advertising Costs

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

(n) Employee Benefit Plans

The Bank has a 401(k) Plan (the Plan) and an Employee Stock Ownership Plan (ESOP). All employees are eligible to participate in the Plan and ESOP after they have attained the age of 21 and have also completed 3 consecutive months of service. Employees must participate in the Plan to be eligible for participation in the ESOP. The employees may contribute to the Plan up to the maximum percentage allowable by law of their compensation. The Bank may make a discretionary matching contribution to the Plan and the ESOP. Full vesting in the Bank's contribution to the Plan and ESOP is over a three-year period. The Bank's contribution to the Plan and ESOP was $562,138 and $313,091, respectively for the year ended December 31, 2016 and $447,817 and $227,332, respectively for the year ended December 31, 2015. During the year ended December 31, 2016, 12,206 shares were purchased by the ESOP at an average market value of $15.50.

(o) Income Taxes

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

The Bank follows accounting guidance related to accounting for uncertainty in income taxes. Under the "more likely than not" threshold guidelines, the Bank believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. As of December 31, 2016 and 2015, the Bank had no material unrecognized tax benefits or accrued interest and penalties. The Bank's policy is to account for interest as a component of interest expense and penalties as a component of other expense. The Bank is no longer subject to examination by federal, state and local taxing authorities for years before January 1, 2013.

(p) Stock Compensation Plans

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

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

(q) Comprehensive Income

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

The components of other comprehensive income (loss) for the years ended December 31, 2016 and 2015 consist of unrealized holding gains and (losses) arising during the year on available-for-sale securities.

(r) Off-Balance Sheet Financial Instruments

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

(s) Derivative Financial Instruments

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

(t) Subsequent Events

The Bank has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 31, 2017, the date these financial statements were issued. Further, the Bank has evaluated subsequent events in connection with the re-issuance of the audited financial statements through September 25, 2017, the date these financial statements were issued. On January 18, 2017, the Bank entered into an asset purchase agreement to acquire HJ Wealth Management, LLC, a Pennsylvania-based wealth management firm. The acquisition closed on April 5, 2017.

(2) Earnings per Common Share

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

(dollars in thousands except per share data)	Years Ended December 31, 2016	Years Ended December 31, 2015
Numerator:		
Net income available to common shareholders	$ 3,766	$ 5,089
Denominator for basic earnings per share - weighted average shares outstanding	3,362	2,669
Effect of dilutive common shares	27	37
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	3,389	2,706
Basic earnings per share	$ 1.12	$ 1.91
Diluted earnings per share	$ 1.11	$ 1.88
Antidilutive shares excluded from computation of average dilutive earnings per share	96	—

(3) Securities

The amortized cost and approximate fair value of securities as of December 31, 2016 and 2015 are as follows:

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

(dollars in thousands)	2015			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Securities available-for-sale:				
U.S. government agency securities	$ 3,669	—	(62)	3,607
U.S. government agency mortgage-backed securities	15,584	25	(127)	15,482
U.S. government agency collateralized mortgage obligations	634	10	(4)	640
State and municipal securities	3,329	21	(4)	3,346
Investments in mutual funds and other equity securities	1,000	17	—	1,017
Total securities available-for-sale	$ 24,216	73	(197)	24,092
Securities held to maturity:				
U.S. Treasuries	$ 1,952	8	—	1,960
State and municipal securities	13,695	150	(6)	13,839
Total securities held-to-maturity	$ 15,647	158	(6)	15,799

At December 31, 2016, the Bank had thirteen U.S. Government sponsored agency mortgage-backed securities, two U.S. Government sponsored agency collateralized mortgage obligations and fourteen State and municipal securities in unrealized loss positions. At December 31, 2015, the Bank had five U.S. Government agency securities, ten U.S. Government sponsored agency mortgage-backed securities, one U.S. Government sponsored agency collateralized mortgage obligation and three State and municipal securities in unrealized loss positions. As of December 31, 2016, the Bank did not intend to sell these securities prior to recovery and it is more likely than not that the Bank will not be required to sell these securities prior to recovery to satisfy liquidity needs, and therefore, no securities are deemed to be other-than-temporarily impaired.

The following table shows the Bank's investment gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in continuous unrealized loss position at December 31, 2016 and 2015:

(dollars in thousands)	2016					
	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 securities	$ —	—	—	—	—	—
U.S. government agency mortgage-backed securities	9,684	(198)	3,392	(31)	13,076	(229)
State and municipal securities	7,911	(287)	—	—	7,911	(287)
U.S. government agency collateralized mortgage obligations	1,167	(7)	—	—	1,167	(7)
Total securities available-for-sale	$ 18,762	(491)	3,392	(31)	22,154	(522)
Securities held-to-maturity:						
State and municipal securities	$ 9,853	(215)	—	—	9,853	(215)
U.S. Treasures						
Total securities held-to-maturity	$ 9,853	(215)	—	—	9,853	(215)

(dollars in thousands)	2015					
	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 securities	$ —	—	3,607	(62)	3,607	(62)
U.S. government agency mortgage-backed securities	11,836	(102)	931	(25)	12,767	(127)
State and municipal securities	1,567	(4)	—	—	1,567	(4)
U.S. government agency collateralized mortgage obligations	—	—	254	(4)	254	(4)
Total securities available-for-sale	$ 13,403	(106)	4,792	(91)	18,195	(197)
Securities held-to-maturity:						
State and municipal securities	$ 1,126	(6)	—	—	1,126	(6)
Total securities held-to-maturity	$ 1,126	(6)	—	—	1,126	(6)

The amortized cost and carrying value of securities at December 31, 2016 are shown below by contractual maturities. Actual maturities may differ from contractual maturities as issuers may have the right to call or repay obligations with or without call or prepayment penalties.

(dollars in thousands)	Available-for-sale Amortized cost	Available-for-sale Fair value	Held-to-maturity Amortized cost	Held-to-maturity Fair value
Due in one year or less	$ 1,000	1,001	156	156
Due after one year through five years	2,267	2,241	2,969	2,973
Due after five years through ten years	5,833	5,718	6,341	6,245
Due after ten years	24,401	24,066	5,059	4,971
	$ 33,501	33,027	14,525	14,345

(4) Loans Receivable

Loans and leases outstanding at December 31, 2016 and 2015 are detailed by category as follows:

(dollars in thousands)	2016	2015
Mortgage loans held for sale	$ 39,573	83,684
Real estate loans:		
Commercial mortgage	225,564	168,096
Home equity lines and loans	85,385	85,288
Residential mortgage	30,295	25,378
Construction	65,846	55,182
Total real estate loans	407,090	333,944
Commercial and industrial	196,091	164,346
Consumer	450	417
Leases, net	1,469	1,389
Total portfolio loans and leases	605,100	500,096
Total loans and leases	$ 644,673	583,780
Loans with predetermined rates	$ 193,378	214,056
Loans with adjustable or floating rates	451,295	369,724
Total loans and leases	$ 644,673	583,780
Net deferred loan origination (fees) costs	$ (809)	648

Components of the net investment in leases at December 31, 2016 and 2015 are detailed as follows:

(dollars in thousands)	2016	2015
Minimum lease payments receivable	$ 1,549	1,461
Unearned lease income	(81)	(72)
Total	$ 1,469	1,389

Age Analysis of Past Due Loans and Leases

The following table presents an aging of the Bank's loan and lease portfolio as of December 31, 2016 and 2015, respectively:

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

As of December 31, 2016, there were three leases that were 90 days past due and still accruing.

December 31, 2015	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	$ -	808	808	167,288	168,096	0.48%
Home equity lines and loans	347	208	555	84,733	85,288	0.65
Residential mortgage	316	818	1,134	24,244	25,378	4.47
Construction	-	439	439	54,743	55,182	0.80
Commercial and industrial	1,252	1,443	2,695	161,651	164,346	1.64
Consumer	-	-	—	417	417	—
Leases	241	38	279	1,110	1,389	20.09
	$ 2,156	3,754	5,910	494,186	500,096	1.18%

As of December 31, 2015, there was one lease that was 90 days past due and still accruing.

(5) Allowance for Loan Losses (the Allowance)

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

The following table details the roll-forward of the Bank's allowance, by portfolio segment, as of December 31, 2016 and 2015, respectively:

December 31, 2016

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

December 31, 2015

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Balance, December 31, 2014	$	1,634	456	207	912	1,718	6	11	64	5,008
Charge-offs		—	(243)	(281)	—	(1,152)	—	—	—	(1,676)
Recoveries		—	4	3	492	21	12	—	—	532
Provision for loan and lease losses		1	238	325	(704)	1,660	(16)	(6)	(64)	1,434
Balance, December 31, 2015	$	1,635	455	254	700	2,247	2	5	—	5,298

Allowance for Loan and Lease Losses Allocated by Portfolio Segment

The following table details the allocation of the allowance for loan and lease losses by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of December 31, 2016 and 2015, respectively:

December 31, 2016

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Allowance on loans and leases:										
Individually evaluated for impairment	$	11	—	13	—	297	—	—	—	321
Collectively evaluated for impairment		2,026	460	72	690	1,676	2	5	172	5,104
Total	$	2,038	460	85	690	1,973	2	5	172	5,425

December 31, 2015

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Allowance on loans and leases:										
Individually evaluated for impairment	$	1	—	162	—	581	—	—	—	744
Collectively evaluated for impairment		1,634	455	92	700	1,666	2	5	—	4,554
Total	$	1,635	455	254	700	2,247	2	5	—	5,298

The following table details the carrying value for loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of December 31, 2016 and 2015, respectively:

December 31, 2016

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

December 31, 2015

(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	$	1,746	208	806	439	2,850	—	—	6,049
Collectively evaluated for impairment		166,350	85,080	24,572	54,743	161,496	417	1,389	494,047
Total	$	168,096	25,288	25,378	55,182	164,346	417	1,389	500,096

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:

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

The following table details the carrying value of loans and leases by portfolio segment based on the credit quality indicators used to allocate the allowance for loan and lease losses as of December 31, 2016 and 2015, respectively:

December 31, 2016 *(dollars in thousands)*	**Pass**	**Special mention**	**Substandard**	**Doubtful**	**Total**
Commercial mortgage	$ 217,249	6,854	1,461	—	225,564
Home equity lines and loans	85,253	—	132	—	85,385
Construction	63,406	2,221	—	219	65,846
Commercial and industrial	188,496	3,157	3,861	577	196,091
Total	$ 554,404	12,232	5,454	796	572,886

December 31, 2015 *(dollars in thousands)*	**Pass**	**Special mention**	**Substandard**	**Doubtful**	**Total**
Commercial mortgage	$ 160,538	5,812	1,746	—	168,096
Home equity lines and loans	85,080	—	208	—	85,288
Construction	51,821	2,922	439	—	55,182
Commercial and industrial	153,331	8,165	2,243	607	164,346
Total	$ 450,770	16,899	4,636	607	472,912

In addition to the allocations based on the credit quality indicators as shown in the above tables, allowance allocations for residential mortgages, consumer loans and leases are also applied based on their performance status as December 31, 2016 and 2015, respectively. No troubled Debt Restructurings performing according to modified terms are included in Performing Residential mortgage below for the twelve months ended December 31, 2016 and 2015, respectively.

December 31, 2016 *(dollars in thousands)*	**Residential mortgage**	**Consumer**	**Leases**	**Total**
Performing	$ 20,868	451	1,469	22,788
Nonperforming	137	—	—	137
Total	$ 21,005	451	1,469	22,925

December 31, 2015 *(dollars in thousands)*	**Residential mortgage**	**Consumer**	**Leases**	**Total**
Performing	$ 24,572	417	1,389	26,378
Nonperforming	806	—	—	806
Total	$ 25,378	417	1,389	27,184

Impaired Loans

The following tables detail the recorded investment and principal balance of impaired loans by portfolio segment, their related allowance for loan and lease losses and interest income recognized for the periods. No interest income was recognized on a cash-basis in 2016 or 2015.

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

(dollars in thousands) December 31, 2015		Recorded investment	Principal balance	Related allowance	Average principal balance
Impaired loans with related allowance:					
Commercial mortgage	$	131	131	1	132
Commercial and industrial		1,201	1,234	581	1,188
Home equity lines and loans		—	—	—	—
Residential mortgage		806	806	162	806
Construction		—	—	—	—
Total		2,138	2,171	744	2,126
Impaired loans without related allowance:					
Commercial mortgage	$	1,615	2,024	—	2,058
Commercial and industrial		1,649	1,649	—	1,622
Home equity lines and loans		208	208	—	210
Residential mortgage		—	—	—	—
Construction		439	439	—	439
Total		3,911	4,320	—	4,329
Grand total	$	6,049	6,491	744	6,455

Troubled Debt Restructuring

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

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

The balance of TDRs at December 31, 2016 and 2015 are as follows:

(dollars in thousands)

		2016	2015
TDRs included in nonperforming loans and leases	$	3,482	2,659
TDRs in compliance with modified terms		2,279	2,658
Total TDRs	$	5,761	5,317

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

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

The following table presents information regarding loan and lease modifications granted during the twelve months ended December 31, 2015 that were categorized as TDRs:

($ in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Related Allowance
Real Estate:				
Commercial mortgage	4	1,351	1,351	-
Commercial and industrial	3	437	437	-
	7	1,788	1,788	-
Contracts that subsequently defaulted:				
Real Estate:				
Commercial mortgage	1	35	35	-
Commercial and industrial	3	594	594	293
	4	629	629	293

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

The following tables present information regarding the types of loan and lease modifications made for the twelve months ended December 31, 2016 and 2015:

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

December 31, 2015	Interest Rate Change	Loan Term Extension	Interest Rate Change and Loan Term Extension	Interest-Only Period
Commercial mortgage	1	3	1	-
Commercial and industrial	-	5	-	1
Total	1	8	1	1

(6) Bank Premises and Equipment

The components of premises and equipment at December 31, 2016 and 2015 are as follows:

(dollars in thousands)		2016	2015
Building	$	3,448	3,504
Leasehold improvements		681	379
Land		600	600
Land Improvements		198	212
Furniture, fixtures and equipment		910	459
Computer equipment and data processing software		2,879	997
	$	8,716	6,151

Total accumulated depreciation at December 31, 2016 totaled $3,662,000 and $2,685,000 at December 31, 2015.

(7) Deposits

The components of deposits at December 31, 2016 and 2015 are as follows:

(dollars in thousands)		2016	2015
Demand, noninterest bearing	$	96,102	60,500
Demand, interest-bearing		70,582	67,584
Savings Accounts		180	64
Money market accounts		173,869	178,710
Time, $100,000 and over		177,866	174,394
Time, other		8,536	9,316
Total	$	527,136	490,568

At December 31, 2016, the scheduled maturities of time deposits are as follows (in thousands):

2017	$	147,705
2018		31,680
2019		6,049
2020		598
2021		369
	$	186,402

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

The Bank's short-term borrowings generally consist of federal funds purchased and short-term borrowings extended under agreements with Federal Home Loan Bank of Pittsburgh. The Bank has two Federal Funds borrowing facilities with correspondent banks: one of $10,000,000 and one of $16,000,000, respectively. The first $5,000,000 and $11,000,000, respectively, borrowed under each facility is unsecured and the remaining balance would be secured by securities safe-kept with the correspondent banks. Federal funds purchased generally represent one-day borrowings. The Bank had no Federal funds purchased at December 31, 2016 or December 31, 2015, respectively. The Bank also has a facility with the Federal Reserve discount window of $13,052,768. This facility is secured by investment securities and loans. There were no borrowings under this facility at December 31, 2016.

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

Short-term borrowings as of December 31, 2015 consisted of short-term advances from FHLB of Pittsburgh in the amount of $25,612,500 with interest at 0.54%, $12,500,000 with interest at 0.43% and $47,712,300 with interest at 0.43%, respectively.

Long-term debt at December 31, 2016 consisted of the following fixed rate notes with the FHLB of Pittsburgh:

	Maturity	Interest	Balance at December 31,	
(dollars in thousands)	date	rate	2016	2015
Mid-term Repo-fixed	08/10/20	2.76%	5,000	5,000
Mid-term Repo-fixed	09/17/18	1.92%	2,500	2,500
Mid-term Repo-fixed	03/28/18	1.68%	1,000	1,000
Mid-term Repo-fixed	03/28/18	1.55%	1,300	1,300
Mid-term Repo-fixed	08/29/17	1.03%	—	4,000
Mid-term Repo-fixed	06/26/19	1.70%	1,800	1,800
Mid-term Repo-fixed	10/29/18	0.97%	1,200	—
		$	12,800	15,600

The FHLB of Pittsburgh had issued $45,850,000 and $68,000,000 of letters of credit to the Bank for the benefit of the Bank's public deposit funds and loan customers as of December 31, 2016 and 2015, respectively. The letters of credit outstanding as of December 31, 2016 expire throughout 2017.

The Bank has a maximum borrowing capacity with the FHLB of Pittsburgh of $350,055,100 and $287,253,000 as of December 31, 2016 and 2015, respectively. All advances and letters of credit from the FHLB are secured by qualifying assets of the Bank.

(9) Subordinated Debentures

In December 2008, the Bank issued $550,000 of mandatory convertible unsecured subordinated debentures (2008 Debentures). The 2008 Debentures have a maturity date of December 18, 2023 and interest on the 2008 Debentures is paid quarterly at 6%. The 2008 Debentures are convertible into 1.05 shares of the Bank's common stock for every $15 in principal amount of the 2008 Debentures automatically on such date, if any, as accumulated losses of the Bank first exceed the sum of the retained earnings and capital surplus accounts of the Bank. The 2008 Debentures began to repay principal in eight equal installments which commenced in December of 2016. As of December 31, 2016 $481,250 of the 2008 Debentures remained outstanding.

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

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

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

The 2008, 2011, 2013 and 2014 Debentures are includable as Tier 2 capital for determining the Bank's compliance with regulatory capital requirements (see note 15). Upon conversion, the 2008, 2011 and 2013 Debentures become Tier 1 Capital.

(10) Preferred Stock

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

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

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

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

All series of the preferred stock qualify as Tier 1 capital. The preferred shares are nonvoting. The preferred shares are redeemable at any time at the option of the Bank.

(11) Lease Commitments

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

Total rental expense for the years ended December 31, 2016 and 2015 was $1,177,904 and $1,028,782, respectively. Future minimum lease payments by year and in the aggregate, under these lease agreements, are as follows:

Future minimum lease payments (in thousands):

2017	$	1,051
2018		848
2019		779
2020		631
2021		575
Thereafter		2,477
	$	6,360

(12) Stockholders' Equity and Stock Option Plan

On April 22, 2012, the Board of Directors approved a stock distribution in the form of a 5% stock dividend to stockholders of record as of April 22, 2012. If the Bank had accumulated profits (retained earnings), the Bank would have transferred the fair market value of the shares issued from retained earnings to common stock and the surplus. Since the Bank currently had an accumulated deficit at the time of the stock dividend, it transferred the par value of the shares issued from surplus to common stock.

On June 26, 2014, the Board of Directors approved a stock distribution in the form of a 5% stock dividend to stockholders of record as of June 27, 2014. Since the Bank had cumulative retained earnings, it transferred the fair market value of the shares issued from retained earnings to common stock and surplus.

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

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

The Bank has issued stock options under the 2004 Stock Option Plan, which is no longer in effect as of December 31, 2016. The Plan authorized the Board of Directors to grant options up to an aggregate of 446,091 shares, as adjusted for the 5% stock dividends in 2012, 2014 and 2016 to officers, other employees and directors of the Bank. No additional shares are available for future grants as of December 31, 2016. The shares granted under the Plan to directors are nonqualified options. The shares granted under the Plan to officers and other employees are “incentive stock options,” and are subject to the limitations under Section 422 of the Internal Revenue Code.

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

The Bank has a 2016 Stock Option Plan, which authorizes the Board of Directors to grant options up to an aggregate of 186,900 shares, adjusted for the September 2, 2016 share dividend. No shares have been granted under the 2016 plan through December 31, 2016. Future shares granted under the 2016 plan to directors are nonqualified options, while shares granted to officers and other employees are “incentive stock options”, and are subject to the limitations under Section 422 of the Internal Revenue Code.

A summary of the status of the Bank’s 2004 stock option plan as of December 31, 2016 and 2015, and the change in outstanding stock options during the years ended December 31, 2016 and 2015, as adjusted for the 5% stock dividends is represented below:

	Shares	**Average exercise price**
Outstanding at December 31, 2014	165,562	10.18
Exercised	(54,405)	8.58
Granted	8,914	14.29
Expired	(2,065)	8.38
Forfeited	(1,193)	11.60
Outstanding at December 31, 2015	116,813	11.45
Exercised	(36,177)	10.23
Granted	88,722	15.26
Expired	—	—
Forfeited	—	—
Outstanding at December 31, 2016	169,358	13.70
Exercisable at December 31, 2016	93,086	$ 12.64

The weighted average remaining contractual life of the outstanding stock options at December 31, 2016 is 7.9 years. The weighted average remaining life of options exercisable at December 31, 2016 is 6.9 years. The range of exercise prices is $9.88 to $16.19. The aggregate intrinsic value of options outstanding and exercisable was $428,960 as of December 31, 2016.

The fair value of each option granted in 2016 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk-free interest rate of 1.48%, expected life of 7 years, and expected volatility of 20.71%. The volatility percentage was based on the average expected volatility of similar public financial institutions in the Bank's market area. The weighted average fair value of options granted in 2016 was $3.83 per share.

The fair value of each option granted in 2015 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk-free interest rate of 1.89%, expected life of 7 years, and expected volatility of 25.47%. The volatility percentage was based on the average expected volatility of similar public financial institutions in the Bank's market area. The weighted average fair value of options granted in 2015 was $4.71 per share.

Total stock compensation cost for the years ended December 31, 2016 and 2015 was $175,437 and $69,141, respectively. During 2016 and 2015, there were no tax benefits recognized related to stock compensation cost.

As of December 31, 2016, there was no unrecognized compensation cost related to nonvested stock options.

(13) Federal Income Taxes

The components of the federal and state income tax expense for the years ended December 31, 2016 and 2015 are as follows:

(dollars in thousands)	2016	2015
Federal:		
Current	$ 3,082	2,838
Deferred	(698)	207
	2,384	3,045
State:		
Current	249	195
Deferred	(34)	8
	215	203
Totals	$ 2,599	3,248

A reconciliation of the statutory income tax at 34% to the income tax expense included in the statement of operations is as follows for 2016 and 2015:

(dollars in thousands)	2016		2015	
Federal income tax at statutory rate	2,557	34.0%	3,208	34.0%
State tax expense, net of federal benefit	142	1.9	134	1.4
Tax exempt interest	(151)	(2.0)	(102)	(1.1)
Bank owned life insurance	(42)	(0.6)	(42)	(0.4)
Incentive stock options	46	0.6	14	0.1
Other	47	0.6	36	0.4
Effective income tax rate	2,599	34.5%	3,248	34.4%

The components of the net deferred tax asset at December 31, 2016 and 2015 are as follows:

(dollars in thousands)	2016	2015
Deferred tax assets:		
Allowance for loan loss	$ 1,725	1,516
Foreclosed assets	—	25
Accrued incentive compensation	14	21
Accrued retirement	444	431
Unrealized loss on available for sale securities	167	43
Deferred rent	280	20
Mortgage repurchase reserve	115	—
Other	55	72
	2,800	2,128
Deferred tax liabilities:		
Property and equipment	(762)	(292)
Mortgage pipeline fair-value adjustment	(111)	(406)
Hedge instrument fair-value adjustment	(236)	(278)
Prepaid expenses	(43)	(47)
Deferred loan costs	(378)	(691)
	(1,530)	(1,714)
Net deferred tax asset	$ 1,270	414

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

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

As of December 31, 2016, the Bank had an investment in low income housing tax credits of $980,356 on which it recognized tax credits of $14,051, amortization of $19,644 and tax benefits from losses of $8,347 during the year ended December 31, 2016.

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

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, their immediate families and affiliated companies (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. Loans receivable from related parties totaled $1,798,000 and $2,004,000 at December 31, 2016 and 2015, respectively. Advances and repayments during 2016 totaled $1,722,000 and $1,929,000 respectively. Advances and repayments during 2015 totaled $1,990,000 and $2,618,000 respectively. Deposits of related parties totaled $8,174,000 and $7,690,000 at December 31, 2016 and 2015, respectively. Subordinated debt held by related parties totaled $1,229,000 and $1,260,000 at December 31, 2016 and 2015, respectively.

The Bank paid legal fees of $31,000 and $28,000 to a law firm of a director for the years ended December 31, 2016 and 2015, respectively.

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

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

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

A summary of the Bank's financial instrument commitments at December 31, 2016 and 2015 is as follows:

(dollars in thousands)		2016	2015
Commitments to grant loans and commitments under lines of credit	$	195,162	220,790
Letters of credit		1,806	4,473

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Outstanding letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Bank requires collateral supporting these letters of credit as deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of December 31, 2016 and 2015 for guarantees under standby letters of credit issues is not material.

Included in commitments to grant loans are mortgage loan commitments of $54,110,000 and $73,686,000 in 2016 and 2015, respectively, which included interest rate lock commitments. These rate lock commitments represent an agreement to extend credit to a mortgage loan applicant whereby the interest rate on the loan is set prior to funding. The loan commitment binds the Bank to lend funds to a potential borrower at the specified rate, regardless of whether interest rates change between the commitment date and the loan funding date. The Bank loan commitments generally range between 30-90 days; however, the borrower is not obligated to obtain the loans. As such, these commitments are subject to interest rate risk and related price risk during the period from interest rate lock commitment through the loan funding date or expiration date. The Bank hedges its mandatory delivery channel using the forward sale of mortgage-backed securities, in addition to best-efforts forward sale commitments to substantially eliminate these risks. At December 31, 2016 and 2015, the Bank had a notional hedge amount of $25,500,000 and $32,000,000, respectively. At December 31, 2016 and 2015, the Bank had best efforts forward sale commitments to sell loans amounting to $27,128,000 and $40,935,000, respectively. The Bank is only obligated to settle the forward sale commitment if the loan closes in accordance with the terms of the interest rate lock commitment. The Bank's forward sale commitments generally expire within 90 days.

Loans sold under FHA or investor programs are subject to repurchase or indemnification if they fail to meet the origination criteria of those programs. In addition, loans sold to investors may be subject to repurchase or indemnification if the loan is two or three months delinquent during a set period that usually varies from the first six months to a year after the loan is sold. At December 31, 2016 there were no indemnification or repurchase requests pending.

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

In the ordinary course of business, the Bank is subject to litigation, claims, and assessments that involve claims for monetary relief. Some of these are covered by insurance. Based upon information presently available to the Bank and its counsel, it is the Bank's opinion that any legal and financial responsibility arising from such claims will not have a material, adverse effect on its results of operations, financial condition or capital.

(16) Regulatory Matters

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2016, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2016, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios at December 31, 2016 and 2015 are presented below:

(dollars in thousands)	2016					
	Actual		**For capital adequacy purposes ***		**To be well capitalized under prompt corrective action provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)	$ 89,396	13.51%	$ 57,071	8.625%	$ 66,169	10.00%
Common equity tier 1 capital (to risk-weighted assets)	57,426	8.68%	33,912	5.125%	43,010	6.50%
Tier 1 capital (to risk-weighted assets)	70,271	10.62%	43,837	6.625%	52,935	8.00%
Tier 1 capital (to average assets)	70,271	9.67%	29,055	4.000%	36,318	5.00%

	2015					
(dollars in thousands)	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 71,744	12.58%	$ 45,622	8.00%	$ 57,028	10.00%
Common equity tier 1 capital (to risk-weighted assets)	40,155	7.04%	25,662	4.50%	37,068	6.50%
Tier 1 capital (to risk-weighted assets)	53,001	9.29	34,217	6.00	45,622	8.00%
Tier 1 capital (to average assets)	53,001	8.39	25,257	4.00	31,571	5.00%

*Includes capital conservation buffer of 0.625%.

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

(17) 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 recent 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 a reasonable point within the range that is most representative of fair value under current market conditions.

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

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

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

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

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2016 and 2015 are as follows:

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

(dollars in thousands)	2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Securities available for sale:				
U.S. government agency securities	$ 3,607	—	3,607	—
U.S. government agency mortgage-backed securities	15,482	—	15,482	—
U.S. government agency collateralized mortgage obligations	640	—	640	—
State and municipal securities	3,346	—	3,346	—
Investments in mutual funds and other equity securities	1,017	—	1,017	—
Mortgage loans held-for-sale	83,684	—	83,684	—
Interest rate lock commitments	889	—	889	—
Total	$ 108,665	—	108,665	—

Assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2016 and 2015 are as follows:

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

(dollars in thousands)	2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Impaired loans (2)	$ 6,049	—	—	6,049
Other real estate owned (1)	189	—	—	189
Total	$ 6,238	—	—	6,238

(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. 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 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 December 31, 2016 and 2015 are as follows:

(dollars in thousands)	Fair Value Hierarchy Level	2016 Carrying amount	2016 Fair value	2015 Carrying amount	2015 Fair value
Financial assets:					
Cash and cash equivalents	Level 1	$ 18,872	18,872	19,159	19,159
Securities available-for-sale	Level 2	33,027	33,027	24,092	24,092
Securities held to maturity	Level 2	14,525	14,345	15,647	15,799
Loans held for sale	Level 2	39,573	39,573	83,684	83,684
Loans receivable, net	Level 3	598,866	588,140	495,446	489,883
Derivative financial instruments	Level 2	677	677	889	889
Restricted investment in bank stock	Level 3	7,355	7,355	7,215	7,165
Accrued interest receivable	Level 3	2,123	2,123	1,950	1,950
Financial liabilities:					
Deposits	Level 2	527,136	517,854	490,568	490,606
Short-term borrowings	Level 2	105,553	105,553	85,825	85,825
Long-term debt	Level 2	12,800	12,818	15,600	15,732
Subordinated debentures	Level 2	13,376	12,887	13,445	12,933
Accrued interest payable	Level 2	194	194	159	159
Derivative financial instruments	Level 2	15	15	105	105

Off-balance sheet financial instruments:		2016 Notional amount	2016 Fair value	2015 Notional amount	2015 Fair value
Commitments to extend credit	Level 2	195,162	677	220,790	889
Letters of credit	Level 2	1,806	—	4,473	—

(18) Derivative Financial Instruments

Mortgage Banking Derivatives

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

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

	December 31, 2016		December 31, 2015	
	Notional Amount	Asset (Liability) Fair Value	Notional Amount	Asset (Liability) Fair Value
	(dollars in thousands)			
Interest Rate Lock Commitments				
Positive fair values	$ 50,423	$ 721	$ 70,420	$ 929
Negative fair values	3,687	(44)	3,266	(40)
Net interest rate lock commitments	$ 54,110	$ 677	$ 73,686	$ 889
Forward Commitments				
Positive fair values	$ 9,750	$ 61	$ 4,000	$ 13
Negative fair values	15,750	(76)	28,000	(118)
Net forward commitments	$ 25,500	$ (15)	$ 32,000	$ (105)
Net derivative fair value asset	$ 79,610	$ 662	$ 105,686	$ 784

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:

	Year Ended December 31	
	2016	2015
	(dollars in thousands)	
Interest rate lock commitments	$ (212)	$ 371
Forward commitments	90	53
Net fair value (losses)gains on derivative financial instruments	$ (122)	$ 424

Realized losses on derivatives were $965,000 and $821,000 for the year ended December 31, 2016 and 2015, respectively.

(19) Other Business Lines

FASB Codification 280 – "Segment Reporting" identifies operating segments as components of an enterprise which are evaluated regularly by the Corporation'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 is evaluated as a single strategic unit which generates revenues from a variety of products and services. The Banking segment generates interest income from its lending (including leasing) and investing activities and is dependent on the gathering of lower cost deposits from its branch network or borrowed funds from other sources for funding its loans, resulting in the generation of net interest income. The Banking segment also derives revenues from other sources including gains on the sale of available for sale investment securities, gains on the sale of residential mortgage loans, service charges on deposit accounts, cash sweep fees, overdraft fees, BOLI income and wealth management services.

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.

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

Meridian Bank and Subsidiaries

Consolidated Balance Sheets (unaudited)

(in thousands, except share data)		(unaudited) June 30, 2017	December 31, 2016
Cash and due from banks	$	9,877	18,478
Federal funds sold		472	394
Cash and cash equivalents		10,349	18,872
Securities available-for-sale, amortized cost of $37,452 and $33,501 as of June 30, 2017 and December 31, 2016, respectively.		37,449	33,027
Securities held-to-maturity, fair value of $13,739 and $14,344 as of June 30, 2017 and December 31, 2016, respectively.		13,578	14,525
Mortgage loans held for sale, amortized cost of $35,884 in 2017 and $39,263 in 2016		36,411	39,573
Loans, net of fees and costs (includes $9,149 and $9,316 of loans at fair value, amortized cost of $9,004 and $9,207 as of June 30,2017 and December 31, 2016, respectively.)		648,398	604,291
Allowance for loan losses		(6,214)	(5,425)
Loans, net of the allowance for loan losses		642,184	598,866
Restricted investment in bank stock		7,615	7,355
Bank premises and equipment, net		8,915	8,716
Bank owned life insurance		11,105	4,994
Accrued interest receivable		2,158	2,123
Other real estate owned		—	—
Deferred income taxes		1,121	1,270
Goodwill and intangible assets		5,640	—
Other assets		4,136	4,372
Total assets	$	780,661	733,693
Liabilities:			
Deposits:			
Noninterest bearing	$	97,994	96,102
Interest-bearing		461,525	431,034
Total deposits		559,519	527,136
Short-term borrowings		116,842	105,553
Long-term debt		12,975	12,800
Subordinated debentures		13,376	13,376
Accrued interest payable		178	194
Other liabilities		6,633	4,671
Total liabilities		709,523	663,730
Stockholders’ equity:			
Preferred stock, no stated par value. Authorized 5,000,000 shares; liquidation preference of $1,000 per share, 12,845 outstanding (total preferred stock liquidation value $12,845)		12,845	12,845
Common stock, $1 par value. Authorized 10,000,000 shares; issued and outstanding 3,686,405 and 3,685,368 shares as of June 30, 2017 and December 31, 2016.		3,686	3,685
Surplus		39,986	39,887
Retained earnings		14,622	13,854
Accumulated other comprehensive loss		(1)	(308)
Total stockholders’ equity		71,138	69,963
Total liabilities and stockholders’ equity	$	780,661	733,693

Meridian Bank and Subsidiaries

Consolidated Statements of Income (unaudited)
Six Months ended June 30, 2017 and 2016

(dollars in thousands)		Six Months Ended June 30, 2017	2016
Interest income:			
Loans, including fees	$	16,224	14,306
Securities:			
Taxable		223	191
Tax-exempt		232	203
Cash and cash equivalents		41	37
Total interest income		16,720	14,737
Interest expense:			
Deposits		1,872	1,729
Borrowings		1,085	771
Total interest expense		2,957	2,500
Net interest income		13,763	12,237
Provision for loan losses		780	307
Net interest income after provision for loan losses		12,983	11,930
Noninterest income:			
Mortgage banking income		15,185	17,691
Wealth management income		972	157
Earnings on investment in life insurance		111	63
Net change in the fair value of derivative instruments		388	656
Net change in the fair value of loans held-for-sale		217	217
Net change in the fair value of loans held-for-investment		41	—
Gain on sale of investment securities available-for-sale		4	—
Service charges		40	28
Other		113	(134)
Total noninterest income		17,071	18,678
Noninterest expenses:			
Salaries and employee benefits		19,423	18,280
Occupancy and equipment		1,826	1,380
FDIC assessment		296	483
Professional fees		903	606
Data processing		534	553
Advertising and promotion		940	700
Loan expenses		2,008	3,123
Other		2,113	1,900
Total noninterest expenses		28,043	27,025
Income before income taxes		2,011	3,583
Income tax expense		665	1,260
Net income		1,346	2,323
Dividends on preferred stock		(578)	(578)
Net income for common stockholders	$	768	1,745
Basic earnings per common share	$	0.21	0.56
Diluted earnings per common share	$	0.21	0.55
		-	-

Meridian Bank and Subsidiaries

Consolidated Statements of Comprehensive Income (unaudited)
Six months ended June 30, 2017 and 2016

(dollars in thousands)		Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income:	$	1,346	2,323
Other comprehensive income:			
Net change in unrealized gains on investment securities available for sale:			
Net unrealized gains arising during the period, net of tax expense of $166 and $214, respectively		310	395
Less: reclassification adjustment for net gains on sales realized in net income, net of tax expense of $1 and $0, respectively		(3)	—
Unrealized investment gains, net of tax expense of $167 and $214, respectively		307	395
Total other comprehensive income		307	395
Total comprehensive income	$	1,653	2,718

Meridian Bank and Subsidiaries

Consolidated Statements of Stockholders' Equity (unaudited)
Six months ended June 30, 2017 and 2016

(dollars in thousands)

	Preferred Stock	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2015	$ 12,845	2,598	24,404	13,154	(80)	52,921
Comprehensive income:						
Net income				2,323		2,323
Change in unrealized gains on securities available-for-sale, net of tax					395	395
Total comprehensive income						2,718
Dividends on preferred stock				(578)		(578)
Issuance of common stock		891	12,248			13,139
Notes repaid for common stock			43			43
Compensation expense related to stock option grants			119			119
Balance, June 30, 2016	$ 12,845	3,489	36,814	14,899	315	68,362
Balance, December 31, 2016	$ 12,845	3,685	39,887	13,854	(308)	69,963
Comprehensive income:						
Net income				1,346		1,346
Change in unrealized gains on securities available-for-sale, net of tax					307	307
Total comprehensive income						1,653
Dividends on preferred stock				(578)		(578)
Share-based awards and exercises		1	9			10
Compensation expense related to stock option grants			90			90
Balance, June 30, 2017	$ 12,845	3,686	39,986	14,622	(1)	71,138

Meridian Bank and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)
Six months ended June 30, 2017 and 2016

(dollars in thousands)	Six Months Ended June 30, 2017	2016
June 30, 2017 and 2016		
Net income	$ 1,346	2,323
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of investment securities	4	—
Depreciation and amortization	1,083	790
Provision for credit losses	780	307
Compensation expense for stock options	90	119
Net change in fair value of loans held for sale	(217)	(217)
Net change in fair value of derivative instruments	(388)	(656)
Net loss on sale and write down of OREO and other repossessed property	—	35
Proceeds from sale of loans	354,168	414,896
Loans originated for sale	(335,604)	(415,613)
Mortgage banking income	(15,185)	(17,691)
Increase in accrued interest receivable	(35)	(40)
Decrease in other assets	1,175	282
Earnings from investment in life insurance	(111)	(63)
Increase in accrued interest payable	(16)	(1)
Increase in other liabilities	1,962	1,847
Net cash provided by (used in) operating activities	9,052	(13,682)
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Maturities, repayments and calls	1,901	1,271
Purchases	(6,144)	(9,342)
Activity in held-to-maturity securities:		
Maturities, repayments and calls	887	500
Purchases	—	—
Acquisition of wealth management company	(3,225)	
Settlement of forward contracts	(567)	(1,353)
(Increase) decrease in restricted stock	(260)	59
Net increase in loans	(44,098)	(42,626)
Purchases of premises and equipment	(873)	(2,235)
Purchase of bank owned life insurance	(6,000)	—
Net cash used in investing activities	(58,379)	(53,726)
Cash flows from financing activities:		
Net increase in deposits	32,383	40,849
Increase in short term borrowings	8,989	6,017
Issuance of common stock	—	13,139
Share based awards and exercises	10	—
Notes repaid (received) for common stock	—	43
Dividends paid on preferred stock	(578)	(578)
Net cash provided by financing activities	40,804	59,470
Net change in cash and cash equivalents	(8,523)	(7,938)
Cash and cash equivalents at beginning of period	18,872	19,159
Cash and cash equivalents at end of period	$ 10,349	11,221
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 2,973	2,501
Income taxes	82	722
Supplemental non-cash disclosure:		
Non-cash consideration paid for acquisition of wealth management company (purchaser note)	2,475	—

(1) Basis of Presentation

The unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). 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. 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 for the twelve months ended December 31, 2016 (the "2016 Annual Report").

(2) Earnings per Common Share

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

(dollars in thousands except per share data)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Numerator:		
Net income available to common shareholders	$ 768	$ 1,745
Denominator for basic earnings per share - weighted average shares outstanding	3,686	3,117
Effect of dilutive common shares	26	29
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	3,712	3,146
Basic earnings per share	$ 0.21	$ 0.56
Diluted earnings per share	$ 0.21	$ 0.55
Antidilutive shares excluded from computation of average dilutive earnings per share	35	97

(3) Business Combinations

HJ Wealth Management, LLC ("HJ Wealth")

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

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

(dollars in thousands)

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

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

Through June 30, 2017, $708,000 of revenue is attributable to the acquisition.

All goodwill associated with the acquisition of HJ Wealth is included in the Banking segment in Footnote 14 to the financial statements.

(4) Goodwill and Other Intangibles

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

(dollars in thousands)

	Balance December 31, 2016	Additions/ Adjustments	Amortization	Balance June 30, 2017	Amortization Period (in years)
Goodwill - Wealth	$ -	$ 899	$ -	$ 899	Indefinite
Total	$ -	$ 899	$ -	$ 899	
Intangible assets - trade name	$ -	$ 266	$ -	$ 266	Indefinite
Intangible assets - customer relationships	-	4,083	(44)	4,039	20
Intangible assets - non competition agreements	-	275	(16)	259	4
Contingent asset	-	177	-	177	N/A
Total	$ -	$ 4,801	$ (60)	$ 4,741	
Grand total	$ -	$ 5,700	$ (60)	$ 5,640	

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

The Bank will perform its annual review of goodwill and identifiable intangible assets in the 4th quarter of 2017 in accordance with ASC 350, "Intangibles Goodwill and Other." For the six months ended June 30, 2017, the Bank determined there were no events that would necessitate impairment testing of goodwill and other intangible assets.

(5) Securities

The amortized cost and approximate fair value of securities as of June 30, 2017 and December 31, 2016 are as follows:

(dollars in thousands)	June 30, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Securities available-for-sale:				
U.S. government agency securities	$ —	—	—	—
U.S. government agency mortgage-backed securities	22,396	95	(139)	22,352
U.S. government agency collateralized mortgage obligations	4,738	4	(11)	4,731
State and municipal securities	9,318	94	(56)	9,356
Investments in mutual funds and other equity securities	1,000	10	—	1,010
Total securities available-for-sale	$ 37,452	203	(206)	37,449
Securities held to maturity:				
U.S. Treasuries	$ 1,971	11	—	1,982
State and municipal securities	11,607	159	(9)	11,757
Total securities held-to-maturity	$ 13,578	170	(9)	13,739

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

At June 30, 2017, the Bank had eleven U.S. Government sponsored agency mortgage-backed securities, two U.S. Government sponsored agency collateralized mortgage obligations and twenty-four State and municipal securities in unrealized loss positions. At December 31, 2016, the Bank had thirteen U.S. Government sponsored agency mortgage-backed securities, two U.S. Government sponsored agency collateralized mortgage obligations and fourteen State and municipal securities in unrealized loss positions. As of June 30, 2017, the Bank did not intend to sell these securities prior to recovery and it is more likely than not that the Bank will not be required to sell these securities prior to recovery to satisfy liquidity needs, and therefore, no securities are deemed to be other-than-temporarily impaired.

The following table shows the Bank's investment gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in continuous unrealized loss position at June 30, 2017 and December 31, 2016:

(dollars in thousands)	June 30th, 2017						
		Less than 12 Months		12 Months or more		Total	
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Securities							
U.S. government agency securities	$	-	-	-	-	-	-
U.S. government agency mortgage-backed securities		11,485	111	4,044	38	15,529	149
State and municipal securities		5,272	65	-	-	5,272	65
U.S. government agency collateralized mortgage obligations		-	-	-	-	-	-
Total securities	$	16,757	176	4,044	38	20,801	214

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

The amortized cost and carrying value of securities at June 30, 2017 are shown below by contractual maturities. Actual maturities may differ from contractual maturities as issuers may have the right to call or repay obligations with or without call or prepayment penalties.

(dollars in thousands)	June 30, 2017				
		Available-for-sale		Held-to-maturity	
		Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$	1,000	1,010	155	155
Due after one year through five years		3,759	3,786	3,401	3,417
Due after five years through ten years		7,978	8,053	6,189	6,284
Due after ten years		24,715	24,600	3,833	3,883
	$	37,452	37,449	13,578	13,739

(6) Loans Receivable

Loans and leases outstanding at June 30, 2017 and December 31, 2016 are detailed by category as follows:

(dollars in thousands)		June 30, 2017	December 31, 2016
Mortgage loans held for sale	$	36,411	39,573
Real estate loans:			
Commercial mortgage		245,933	225,564
Home equity lines and loans		84,357	85,385
Residential mortgage		31,932	30,295
Construction		82,898	65,846
Total real estate loans		445,120	407,090
Commercial and industrial		203,282	196,091
Consumer		432	450
Leases, net		1,071	1,469
Total portfolio loans and leases		649,905	605,100
Total loans and leases	$	686,316	644,673
Loans with predetermined rates	$	203,029	193,378
Loans with adjustable or floating rates		483,287	451,295
Total loans and leases	$	686,316	644,673
Net deferred loan origination (fees) costs	$	(1,507)	(809)

Components of the net investment in leases at June 30, 2017 and December 31, 2016 are detailed as follows:

(dollars in thousands)		June 30, 2017	December 31, 2016
Minimum lease payments receivable	$	1,123	1,550
Unearned lease income		(52)	(81)
Total	$	1,071	1,469

Age Analysis of Past Due Loans and Leases

The following table presents an aging of the Bank's loan and lease portfolio as of June 30, 2017 and December 31, 2016, respectively:

(dollars in thousands)

June 30, 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	$	-	613	613	250,553	251,166	0.24%
Home equity lines and loans		236	168	404	83,926	84,330	0.48
Residential mortgage		801	298	1,099	30,860	31,959	3.44
Construction		-	219	219	77,446	77,665	0.28
Commercial and industrial		127	2,863	2,990	200,292	203,282	1.47
Consumer		-	-	—	432	432	—
Leases		233	34	267	804	1,071	24.93
	$	1,397	4,195	5,592	644,313	649,905	0.86%

As of June 30, 2017, there were two leases with a total unpaid principal balance of $34,000 that were 90 days past due and still accruing.

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

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

(7) Allowance for Loan Losses (the Allowance)

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

The following table details the roll-forward of the Bank's allowance, by portfolio segment, as of June 30, 2017 and December 31, 2016:

June 30, 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		(30)	(42)	—	—	(120)	—	—	—	(192)
Recoveries		16	(6)	2	2	187	—	—	—	201
Provision for loan and lease losses		399	(184)	(8)	696	46	—	3	(172)	780
Balance, June 30, 2017	$	2,423	228	79	1,388	2,086	2	8	—	6,214

December 31, 2016

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

Allowance for Loan and Lease Losses Allocated by Portfolio Segment

The following table details the allocation of the allowance for loan and lease losses by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of June 30, 2017 and December 31, 2016:

June 30, 2017

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Allowance on loans and leases:										
Individually evaluated for impairment	$	26	—	—	—	33	—	—	—	59
Collectively evaluated for impairment		2,397	228	79	1,388	2,053	2	8	—	6,155
Total	$	2,423	228	79	1,388	2,086	2	8	—	6,214

December 31, 2016

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

The following table details the carrying value for loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of June 30, 2017 and December 31, 2016:

June 30, 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	$	3,440	168	258	487	4,685	—	—	9,038
Collectively evaluated for impairment		242,493	84,189	22,571	82,411	198,597	432	1,071	631,764
Total	$	245,933	84,357	22,829	82,898	203,282	432	1,071	640,802

December 31, 2016

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

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:

- **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 June 30, 2017 and December 31, 2016:

June 30, 2017 *(dollars in thousands)*	**Pass**	**Special mention**	**Substandard**	**Doubtful**	**Total**
Commercial mortgage	$ 237,382	7,651	900	—	245,933
Home equity lines and loans	84,190	—	168	—	84,358
Construction	81,039	1,639	—	219	82,897
Commercial and industrial	190,605	8,816	3,737	124	203,282
Total	$ 593,216	18,106	4,805	343	616,470

December 31, 2016

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

In addition to the allocations based on the credit quality indicators as shown in the above tables, allowance allocations for residential mortgages, consumer loans and leases are also applied based on their performance status as of June 30, 2017 and December 31, 2016. No Troubled debt restructurings performing according to modified terms are included in Performing Residential mortgages below as of June 30, 2017 and December 31, 2016.

June 30, 2017

(dollars in thousands)	Residential mortgage	Consumer	Leases	Total
Performing	$ 22,692	432	1,071	24,195
Nonperforming	137	—	—	137
Total	$ 22,829	432	1,071	24,332

December 31, 2016

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

Impaired Loans

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

(dollars in thousands) June 30, 2017	Recorded investment	Principal balance	Related allowance	Average principal balance
Impaired loans with related allowance:				
Commercial mortgage	$ 75	75	26	80
Commercial and industrial	238	238	33	254
Home equity lines and loans	—	—	—	—
Residential mortgage	—	—	—	—
Construction	—	—	—	—
Total	313	313	59	334
Impaired loans without related allowance:				
Commercial mortgage	$ 3,365	3,365	—	3,596
Commercial and industrial	4,447	4,447	—	4,716
Home equity lines and loans	168	308	—	328
Residential mortgage	258	258	—	258
Construction	487	487	—	520
Total	8,725	8,865	—	9,418
Grand total	$ 9,038	9,178	59	9,752

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

Troubled Debt Restructuring

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

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

The balance of TDRs at June 30, 2017 and December 31, 2016 are as follows:

(dollars in thousands)

		June 30, 2017	December 31, 2016
TDRs included in nonperforming loans and leases	$	3,284	3,482
TDRs in compliance with modified terms		2,239	2,279
Total TDRs	$	5,523	5,761

The following table presents information regarding loan and lease modifications granted during the six months ended June 30, 2017 that were categorized as TDRs:

($ in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Related Allowance
Real Estate:				
Commercial and industrial	1	169	169	-
	1	169	169	-

No loan modifications granted during the six months ended June 30, 2017 subsequently defaulted during the same time period.

The following table presents information regarding loan and lease modifications granted during the six months ended June 30, 2016 that were categorized as TDRs:

($ in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Related Allowance
Real Estate:				
Commercial mortgage	2	407	407	46
	2	407	407	46

No loan modifications granted during the six months ended June 30, 2016 subsequently defaulted during the same time period.

The following tables present information regarding the types of loan and lease modifications made for the six months ended June 30, 2017 and the twelve months ended December 31, 2016:

June 30, 2017	Loan Term Extension
Commercial mortgage	-
Commercial and industrial	1
Total	1

June 30, 2016	Loan Term Extension	Interest Rate Change and Loan Term Extension
Commercial mortgage	1	1
Commercial and industrial	-	-
Total	1	1

(8) Deposits

The components of deposits at June 30, 2017 and December 31, 2016 are as follows:

(dollars in thousands)		**June 30 2017**	**December 31 2016**
Demand, noninterest bearing	$	97,994	96,102
Demand, interest-bearing		79,920	70,582
Savings Accounts		214	180
Money market accounts		209,611	173,870
Time, $100,000 and over		163,791	177,866
Time, other		7,989	8,536
Total	$	559,519	527,136

At June 30, 2017, the scheduled maturities of time deposits are as follows (in thousands):

2017	$ 147,118
2018	19,680
2019	4,124
2020	499
2021	359
	$ 171,780

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

The Bank's short-term borrowings generally consist of federal funds purchased and short-term borrowings extended under agreements with Federal Home Loan Bank of Pittsburgh. The Bank has two Federal Funds borrowing facilities with correspondent banks: one of $10,000,000 and one of $16,000,000, respectively. The first $5,000,000 and $11,000,000, respectively, borrowed under each facility is unsecured and the remaining balance would be secured by securities safe-kept with the correspondent banks. Federal funds purchased generally represent one-day borrowings. The Bank had $103 thousand and $0 Federal funds purchased at June 30, 2017 and December 31, 2016, respectively. The Bank also has a facility with the Federal Reserve discount window of $12,770,336. This facility is secured by investment securities and loans. There were no borrowings under this facility at June 30, 2017.

Short-term borrowings as of June 30, 2017 consisted of short-term advances from FHLB of Pittsburgh in the amount of $109,249,000 with interest at 1.24%, $1,190,000 with interest at 0.78% $4,000,000 with an original term of 5 years and interest at 1.03%, $1,000,000 with an original term of 4 years and interest at 1.68%, and $1,300,000 with an original term of 4 years and interest at 1.55%.

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

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

			Balance as of	
(dollars in thousands)	**Maturity date**	**Interest Rate**	**June 30, 2017**	**December 31, 2016**
Mid-term Repo-fixed	08/10/20	2.76%	5,000	5,000
Mid-term Repo-fixed	09/17/18	1.92%	2,500	2,500
Mid-term Repo-fixed	03/28/18	1.68%	—	1,000
Mid-term Repo-fixed	03/28/18	1.55%	—	1,300
Mid-term Repo-fixed	06/26/19	1.70%	1,800	1,800
Mid-term Repo-fixed	10/29/18	0.97%	1,200	1,200
Acquisition Purchase Note	04/01/20	3.00%	2,475	—
			$ 12,975	12,800

The FHLB of Pittsburgh has also issued $36,600,000 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 2017.

The Bank has a maximum borrowing capacity with the FHLB of Pittsburgh of $321,872,750 as of June 30, 2017. All advances and letters of credit from the FHLB are secured by qualifying assets of the Bank.

(10) Stock-Based Compensation

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

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

The Bank has a 2016 Stock Option Plan, which authorizes the Board of Directors to grant options up to an aggregate of 186,900 shares, adjusted for the 2016 5% stock dividend. A total of 33,750 shares have been granted under the 2016 plan through June 30, 2017. Shares granted under the 2016 plan to directors are nonqualified options, while shares granted to officers and other employees are "incentive stock options", and are subject to the limitations under Section 422 of the Internal Revenue Code.

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

The following table provides information about options outstanding for the six months ended June 30, 2017:

	Shares		Average exercise price
Outstanding at December 31, 2016	169,358	$	13.70
Exercised	(1,037)		(9.88)
Granted	33,750		19.00
Expired	—		-
Forfeited	—		-
Outstanding at June 30, 2017	202,071		14.61
Exercisable at June 30, 2017	122,928	$	13.57

The weighted average remaining contractual life of the outstanding stock options at June 30, 2017 is 7.9 years. The weighted average remaining life of options exercisable at June 30, 2017 is 7.1 years. The range of exercise prices is $9.88 to $19.00. The aggregate intrinsic value of options outstanding and exercisable was $523,846 as of June 30, 2017.

The fair value of each option granted in 2017 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk-free interest rate of 2.19%, expected life of 7 years, and expected volatility of 19.69%. The volatility percentage was based on the average expected volatility of similar public financial institutions in the Bank's market area. The weighted average fair value of options granted in 2017 was $4.10 per share.

The fair value of each option granted in 2016 was estimated on the date of grant using the Black Scholes option pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk free interest rate of 1.48%, expected life of 7 years, and expected volatility of 20.71%. The volatility percentage was based on the average expected volatility of similar public financial institutions in the Bank's market area. The weighted average fair value of options granted in 2016 was $3.83 per share.

Total stock compensation cost for the six months ended June 30, 2017 was $90,423. During the six months ended June 30, 2017, there were no tax benefits recognized related to stock compensation cost.

As of June 30, 2017, there was no unrecognized compensation cost related to nonvested stock options.

(11) Accounting for Uncertainty in Income Taxes

The Bank recognizes the financial statement benefit of a tax position only after determining that the Bank would be more likely than not to sustain the position following an examination. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the relevant tax authority.

The Bank is subject to income taxes in the United States federal jurisdiction and multiple state jurisdictions. The Bank is no longer subject to U.S. federal income tax examination by taxing authorities for years before 2013.

The Bank's policy is to record interest and penalties on uncertain tax positions as income tax expense. No interest or penalties were accrued for the six month periods ended June 30, 2017. It is management's belief that there are no uncertain tax positions with respect to Federal or State tax returns to which the Bank is subject to examination.

(12) 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 recent 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 a reasonable point within the range that is most representative of fair value under current market conditions.

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

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

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

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

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2017 and December 31, 2016 are as follows:

(dollars in thousands)	June 30, 2017 Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. government agency securities	$ —	—	—	—
U.S. government agency mortgage-backed securities	22,352	—	22,352	—
U.S. government agency collateralized mortgage obligations	4,731	—	4,731	—
State and municipal securities	9,356	—	9,356	—
Investments in mutual funds and other equity securities	1,010	—	1,010	—
Mortgage loans held-for-sale	36,411	—	36,411	—
Loans held-for-investment	9,149	—	9,149	—
Interest rate lock commitments	938	—	938	—
Total	$ 83,947	—	83,947	—

(dollars in thousands)	December 31, 2016 Total	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. government agency securities	$ —	—	—	—
U.S. government agency mortgage-backed securities	21,481	—	21,481	—
U.S. government agency collateralized mortgage obligations	1,434	—	1,434	—
State and municipal securities	9,110	—	9,110	—
Investments in mutual funds and other equity securities	1,001	—	1,001	—
Mortgage loans held-for-sale	39,573	—	39,573	—
Loans held-for-investment	9,317	—	9,317	—
Interest rate lock commitments	677	—	677	—
Total	$ 82,593	—	82,593	—

Assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017			
(dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Impaired loans (2)	$ 9,038	—	—	9,038
Total	$ 9,038	—	—	9,038

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

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

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

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

(a) Cash and Cash Equivalents

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

(b) Securities

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

(c) Mortgage Loans for Sale

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

(d) Loans Receivable

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

(e) Impaired Loans

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

(f) Restricted Investment in Bank Stock

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

(g) Accrued Interest Receivable and Payable

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

(h) Deposit Liabilities

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

(i) Short-Term Borrowings

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

(j) Long-Term Debt

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

(k) Subordinated Debt

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

(l) Off-Balance Sheet Financial Instruments

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

The estimated fair values of the Bank's financial instruments at June 30, 2017 and December 31, 2016 are as follows:

(dollars in thousands)	Fair Value Hierarchy Level	June 30, 2017 Carrying amount	June 30, 2017 Fair value	December 31, 2016 Carrying amount	December 31, 2016 Fair value
Financial assets:					
Cash and cash equivalents	Level 1	$ 10,349	10,349	18,872	18,872
Securities available-for-sale	Level 2	37,449	37,449	33,027	33,027
Securities held to maturity	Level 2	13,578	13,739	14,525	14,345
Loans held for sale	Level 2	36,411	36,411	39,573	39,573
Loans receivable, net	Level 3	642,184	637,059	598,866	588,140
Derivative financial instruments	Level 2	1,050	1,050	677	677
Restricted investment in bank stock	Level 3	7,615	7,615	7,355	7,355
Accrued interest receivable	Level 3	2,158	2,158	2,123	2,123
Financial liabilities:					
Deposits	Level 2	559,519	559,260	527,136	517,854
Short-term borrowings	Level 2	116,842	116,842	105,553	105,553
Long-term debt	Level 2	12,975	12,995	12,800	12,818
Subordinated debentures	Level 2	13,376	13,077	13,376	12,887
Accrued interest payable	Level 2	178	178	194	194
Derivative financial instruments	Level 2	—	—	15	15

(13) Derivative Financial Instruments

Mortgage Banking Derivatives

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

	June 30, 2017		December 31, 2016	
	Notional Amount	Asset (Liability) Fair Value	Notional Amount	Asset (Liability) Fair Value
	(dollars in thousands)			
Interest Rate Lock Commitments				
Positive fair values	$ 73,921	$ 970	$ 50,423	$ 721
Negative fair values	7,218	(31)	3,687	(44)
Net interest rate lock commitments	$ 81,139	$ 939	$ 54,110	$ 677
Forward Commitments				
Positive fair values	$ 39,000	$ 120	$ 9,750	$ 61
Negative fair values	5,000	(9)	15,750	(76)
Net forward commitments	$ 44,000	$ 111	$ 25,500	$ (15)
Net derivative fair value asset	$ 125,139	$ 1,050	$ 79,610	$ 662

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

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

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(dollars in thousands)	
Interest rate lock commitments	$ 262	$ 1,064
Forward commitments	126	(408)
Net fair value (losses)gains on derivative financial instruments	$ 388	$ 656

Realized losses on derivatives were $567,000 and $1.4 million for the six months ended June 30, 2017 and 2016, respectively.

(14) Segments

FASB Codification 280 – "Segment Reporting" identifies operating segments as components of an enterprise which are evaluated regularly by the Corporation'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 is evaluated as a single strategic unit which generates revenues from a variety of products and services. The Banking segment generates interest income from its lending (including leasing) and investing activities and is dependent on the gathering of lower cost deposits from its branch network or borrowed funds from other sources for funding its loans, resulting in the generation of net interest income. The Banking segment also derives revenues from other sources including gains on the sale of available for sale investment securities, gains on the sale of residential mortgage loans, service charges on deposit accounts, cash sweep fees, overdraft fees, BOLI income and wealth management services.

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.

	Six Months Ended June 30, 2017		
(dollars in thousands)	Meridian Bank	Meridian Mortgage	Consolidated
Net interest income	$ 13,581	$ 182	$ 13,763
Provision for loan losses	(780)	-	(780)
Net interest income after provision	12,801	182	12,983
Non-interest Income			
Service charges on deposits	40	-	40
Other fee income	403	191	594
Wealth management	972	-	972
Mortgage fees (margin)	-	14,158	14,158
Mortgage document prep & processing fees	-	1,027	1,027
Boli income	111	-	111
Net change in the fair value of loans held-for-sale	-	217	217
Net change in the fair value of loans held-for-investment	-	41	41
Net change in the fair value of derivative instruments	-	388	388
Realized losses on derivative instruments	-	(567)	(567)
Gain on sale of loans	86	-	86
Gain on sale of securites	4	-	4
Total non-interest income	1,616	15,455	17,071
Non-interest Expense			
Salaries and employee benefits	7,082	12,341	19,423
Occupancy & equipment	1,116	710	1,826
Professional services	669	234	903
FDIC expense	296	-	296
Loan expenses	412	1,596	2,008
Other	2,496	1,091	3,587
Total non-interest expense	12,071	15,972	28,043
Operating Margin	$ 2,346	$ (335)	$ 2,011

	Six Months Ended June 30, 2016		
(dollars in thousands)	Meridian Bank	Meridian Mortgage	Consolidated
Net interest income	$ 11,788	$ 449	$ 12,237
Provision for loan losses	(307)	-	(307)
Net interest income after provision	11,481	449	11,930
Non-interest Income			
Service charges on deposits	28	-	28
Other fee income	376	848	1,224
Wealth management	157	-	157
Mortgage fees (margin)	-	16,419	16,419
Mortgage document prep & processing fees	-	1,272	1,272
Boli income	63	-	63
Net change in the fair value of loans held-for-sale	-	217	217
Net change in the fair value of loans held-for-investment	-	-	-
Net change in the fair value of derivative instruments	-	656	656
Realized losses on derivative instruments	-	(1,353)	(1,353)
Gain on sale of loans	(5)	-	(5)
Gain on sale of securites	-	-	-
Total non-interest income	619	18,059	18,678
Non-interest Expense			
Salaries and employee benefits	6,053	12,227	18,280
Occupancy & equipment	625	755	1,380
Professional services	474	132	606
FDIC expense	483	-	483
Loan expenses	127	2,996	3,123
Other	1,984	1,169	3,153
Total non-interest expense	9,746	17,279	27,025
Operating Margin	$ 2,354	$ 1,229	$ 3,583

(15) Recent Accounting Pronouncements

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

Issued in May 2014, ASU 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers using a five-step model that requires entities to exercise judgment when considering the terms of the contracts. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. This amendment defers the effective date of ASU 2014-09 by one year. In March 2016, the FASB issued ASU 2016- 08, "Principal versus Agent Considerations (Reporting Gross versus Net)," which amends the principal versus agent guidance and clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer. In addition, the FASB issued ASU Nos. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers and 2016-12, Narrow-Scope Improvements and Practical Expedients, both of which provide additional clarification of certain provisions in Topic 606. These Accounting Standards Codification ("ASC") updates are effective for 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. 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. Our preliminary evaluation suggests that adoption of this guidance is not expected to have a material effect on our 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 annual periods beginning after December 15, 2019 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 annual periods beginning after December 15, 2017 including interim periods within those periods. The Bank is evaluating the effect that ASU 2017-01 will have on its consolidated financial statements and related disclosures.

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

Issued in August 2016, ASU 2016-15 provides guidance on eight specific cash flow issues and their disclosure in the consolidated statements of cash flows. The issues addressed include debt prepayment, settlement of zero-coupon debt, contingent consideration in business combinations, proceeds from settlement of insurance claims, proceeds from settlement of BOLI, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the Predominance principle. 2016-15 is effective for the annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted. 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 the annual and interim periods in fiscal years beginning after December 15, 2018, with early adoption permitted. The Bank is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

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

Issued in February 2016, ASU 2016-02 revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. ASU 2016-02 is effective for the first interim period within annual periods beginning after December 15, 2018, with early adoption permitted. 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 Corporation 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. ASU 2016-01 will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. Entities may apply this guidance on a prospective or retrospective basis. The Corporation is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

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

Issued in March 2017, ASU 2017-08 shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendment requires the premium to be amortized to the earliest call date. The amendments does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Corporation has evaluated ASU 2017-08 and determined that it currently follows the guidance related to premium amortization on callable debt securities.

Through and including, [●], 2017 (the 25th day after the date of this offering circular), all dealers effecting transactions in our common stock, whether or not participating in this offering, may be required to deliver an offering circular. This delivery requirement is in addition to a dealer's obligation to deliver an offering circular when acting as an underwriter and with respect to an unsold allotment or subscription.

[●] Shares

MeridianBank®

Common Stock

OFFERING CIRCULAR

SANDLER O'NEILL + PARTNERS, L.P.

[●], 2017