



MeridianCorporation<sup>®</sup>

## Investor Presentation

December 3, 2020

NASDAQ: MRBK

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# Forward-Looking Statements

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Meridian Corporation (the “Corporation”) may from time to time make written or oral “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements with respect to Meridian Corporation’s strategies, goals, beliefs, expectations, estimates, intentions, capital raising efforts, financial condition and results of operations, future performance and business. Statements preceded by, followed by, or that include the words “may,” “could,” “should,” “pro forma,” “looking forward,” “would,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” or similar expressions generally indicate a forward-looking statement. These forward-looking statements involve risks and uncertainties that are subject to change based on various important factors (some of which, in whole or in part, are beyond Meridian Corporation’s control). Numerous competitive, economic, regulatory, legal and technological factors, risks and uncertainties including, without limitation: the impact of the current COVID-19 pandemic and government responses thereto, on the U.S. economy, including the markets in which we operate; actions that we and our customers take in response to these factors and the effects such actions have on our operations, products, services and customer relationships; and the risk that the Small Business Administration may not fund some or all Paycheck Protection Program (PPP) loan guaranties, among others, could cause Meridian Corporation’s financial performance to differ materially from the goals, plans, objectives, intentions and expectations expressed in such forward-looking statements. Meridian Corporation cautions that the foregoing factors are not exclusive, and neither such factors nor any such forward-looking statement takes into account the impact of any future events. All forward-looking statements and information set forth herein are based on management’s current beliefs and assumptions as of the date hereof and speak only as of the date they are made. For a more complete discussion of the assumptions, risks and uncertainties related to our business, you are encouraged to review Meridian Corporation’s filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2019 and subsequently filed quarterly reports on Form 10-Q and current reports on Form 8-K that update or provide information in addition to the information included in the Form 10-K and Form 10-Q filings, if any. Meridian Corporation does not undertake to update any forward-looking statement whether written or oral, that may be made from time to time by Meridian Corporation or by or on behalf of Meridian Bank.



# Investment Highlights – Why Meridian?

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- ☞ Demonstrated organic growth engine in commercial bank segments, capitalizing on market disruption in PA, NJ, DE and MD markets
- ☞ Relationship focus drives referrals to wealth, mortgage, leasing and deposits, reducing cost to originate
- ☞ Fifteen year "branch-lite" platform with high customer self-service
- ☞ Financial services business model with significant noninterest income streams in Meridian Mortgage and Meridian Wealth Partners
- ☞ Strong credit culture with excellent fifteen year performance
- ☞ Invested management team with long-tenured, in-market experience
- ☞ Shareholder focus in building tangible book value, share buyback in 1Q2020, EPS growth and dividend initiated in 3Q2020
- ☞ Attractive deposit franchise, including high growth in noninterest-bearing deposits over the last several years
- ☞ Low commercial real estate (CRE) concentration, low COVID risk categories allows for significant capacity for growth



# Company Snapshot

## Overview

- State-chartered commercial bank established in July 2004 and headquartered in suburban Main Line Philadelphia.
- Serves Pennsylvania, New Jersey, Delaware and Maryland with more than 20 offices and a full suite of financial products and services.
- Meridian specializes in business and industrial lending, retail and commercial real estate lending, electronic payments, along with a broad menu of high-yield depository products supported by robust online and mobile access.
- Noninterest income businesses in Meridian Mortgage®, SBA Lending and Meridian Wealth Partners®.
- Successful Meridian Mortgage division recently expanded into Maryland.

## Financial Highlights 3QTR 2020<sup>1</sup>

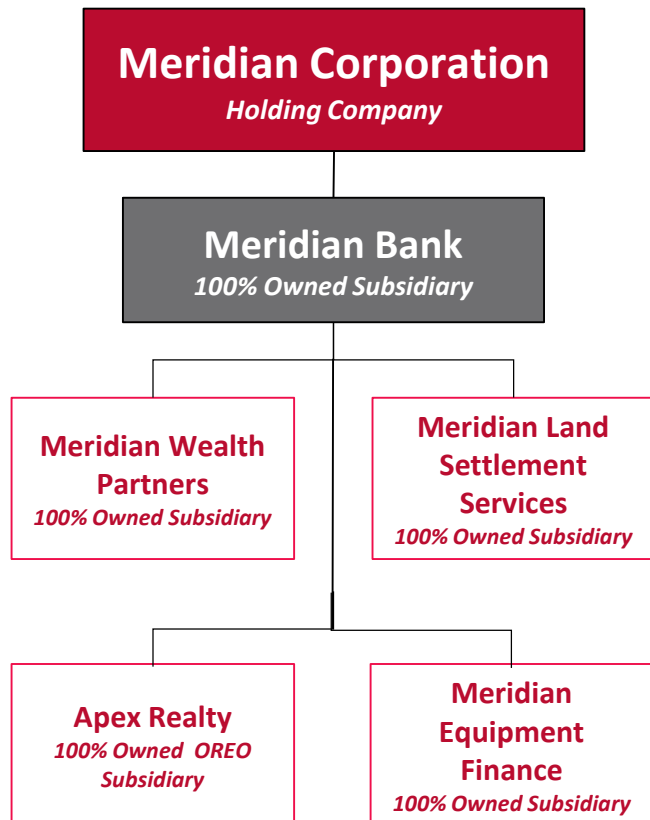
Balance Sheet (\$ in Millions)	
Assets	\$1,759
Loans & Leases <sup>2</sup>	\$1,532
Deposits	\$1,209
Equity	\$132
Asset Quality (%)	
NPA's/Assets	0.45%
Nonaccrual Loans/Loans	0.52%
Reserves/Loans <sup>3</sup>	1.59%
NCOs (recoveries)/Loans	0.01%
MRQ Profitability (%)	
ROAA	2.29%
ROAE	29.30%
Net Interest Margin	3.26% / 3.47% <sup>4</sup>
Tangible Equity	7.26%

1) As of and for the quarter ended September 30, 2020, per October 26, 2020 press release.  
2) Includes loans held for sale and held for investment.  
3) Excludes loans at fair value, loans held for sale and PPP loans. A Non-GAAP measure. Refer to Appendix for Non-GAAP to GAAP reconciliation.  
4) Excludes PPP loans and PPPLF borrowings. A Non-GAAP measure. Refer to Appendix for Non-GAAP to GAAP reconciliation.

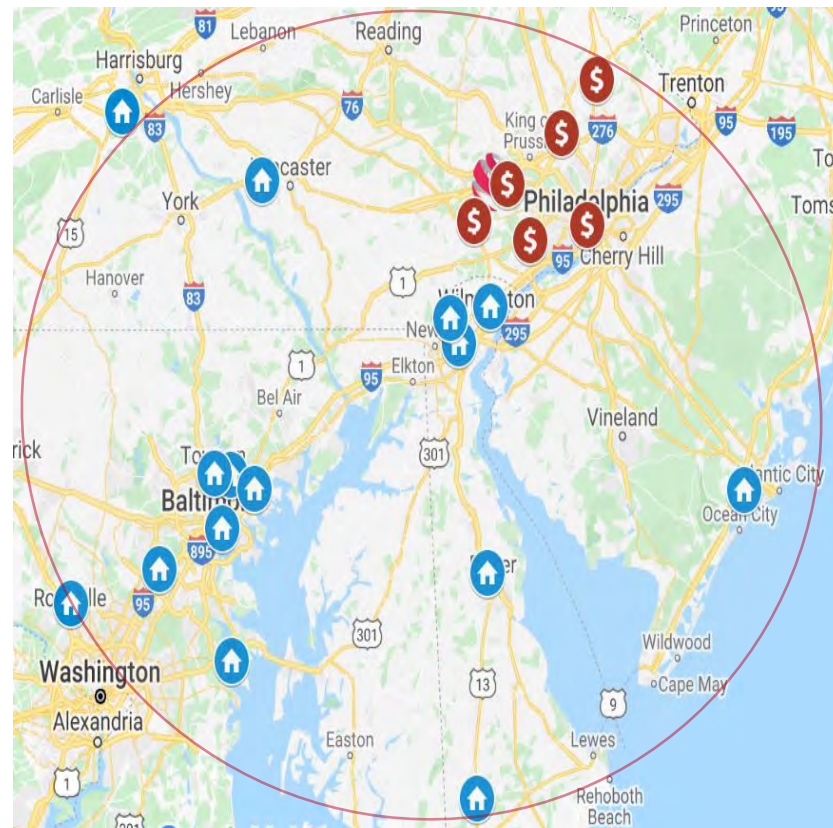


# Current Meridian Franchise Footprint

## Organizational Structure



## Geographic Footprint Branches LPOs





# Deep and Experienced Leadership

## Meridian Bank Executive Management

### **Chris Annas**

*Chairman of the Board  
President & CEO*

- ☞ Founder, Chairman, President and Chief Executive Officer of the Bank since its opening in 2004
- ☞ Held executive positions with various regional banks in the Delaware Valley since 1986
- ☞ Over 35 years of banking experience in various commercial lending capacities

### **Denise Lindsay**

*EVP & CFO, Director*

- ☞ Manages all corporate accounting functions and is responsible for asset-liability management, financial reporting, tax planning and reporting, budgeting and investor relations
- ☞ Over 25 years experience in bank financial management, Certified Public Accountant, former Senior Accountant for KPMG, LLP and member of the Financial Managers Society and PICPA

### **Joseph Cafarchio**

*EVP & CCO*

- ☞ Heads credit underwriting and administration
- ☞ Over 35 years of experience in commercial lending in the region, including five years at the Federal Reserve Bank of Philadelphia
- ☞ Previously Chief Lending Officer from the Bank's inception until January 2017 when the Bank split the role of Chief Lending Officer and Chief Credit Officer

### **Charles D. Kochka**

*EVP & CLO*

- ☞ Has served as leader of commercial and consumer lending at the Bank since 2017
- ☞ Has more than 38 years experience in commercial lending in the Delaware Valley

### **Randy J. McGarry**

*SVP & CIO*

- ☞ Responsible for executing technology and operational solutions aligned with corporate strategy
- ☞ Over 25 years of banking experience with expertise in IT strategy, technology architecture, network infrastructure, core system conversions and merger & acquisitions
- ☞ Member of the Greater Philadelphia Senior Executive Group and the Society for Information Management

### **Clarence Martindell**

*EVP & CRE Lending*

- ☞ In charge of growing and maintaining a strong commercial real estate loan portfolio, along with growing the Bank's title business and handling the disposition of all REO
- ☞ Over 25 years of real estate lending experience.
- ☞ Prior to joining the Bank, was the Director of Finance for Westrum Development Co., a regional homebuilder

### **T. Benjamin Marsho**

*EVP & Risk & Treasury*

- ☞ Oversees risk management, treasury, compliance and BSA / AML
- ☞ Over 25 years of banking experience, including 5 years at the Office of Comptroller of the Currency, nearly 10 years as Controller at a publicly traded community bank and 5 years in investment and treasury management of a \$50 billion multinational bank



# Overview of Business Lines

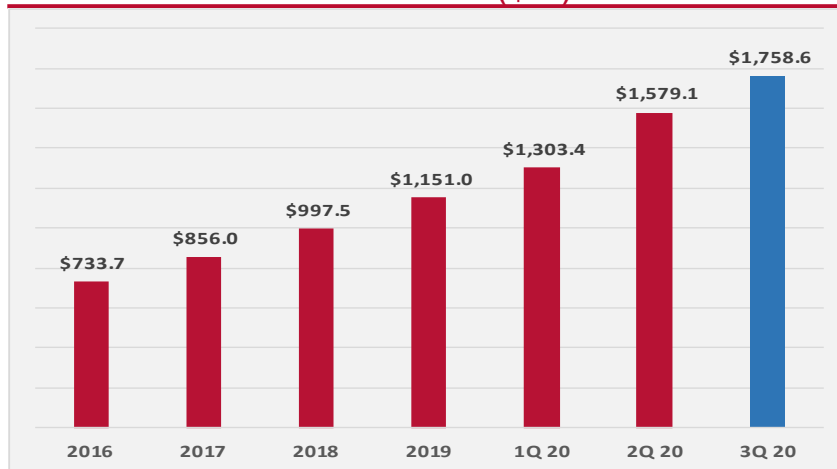
Core Banking	Meridian Mortgage	Wealth Management and Advisory Services
<ul style="list-style-type: none"><li>Commercial &amp; Industrial Lending<ul style="list-style-type: none"><li>Lines of credit, term loans</li><li>Owner-occupied commercial mortgages</li><li>Leasing through Meridian Equipment Finance®</li></ul></li><li>Commercial Real Estate Lending<ul style="list-style-type: none"><li>Owner occupied commercial mortgages</li><li>Construction loans</li><li>Land development loans</li></ul></li><li>Consumer Lending<ul style="list-style-type: none"><li>Home equity loans / lines of credit</li></ul></li><li>Deposit &amp; cash management services</li><li>SBA Lending<ul style="list-style-type: none"><li>Highly experienced team in Delaware Valley</li><li>Top 4 originator in Eastern PA district</li></ul></li></ul>	<ul style="list-style-type: none"><li>Mortgage originations were \$708 million for 3Q 2020, \$1.5 billion for YTD 2020 and \$603 million for YR 2019</li><li>Meridian Mortgage clients include homeowners and small scale investors</li><li>Approximately 87% of mortgage loans are originated in the PA, NJ, DE, VA, MD and DC markets<ul style="list-style-type: none"><li>Majority of these loans were for 1-4 family housing</li><li>nearly all loans originated were sold</li></ul></li></ul>	<ul style="list-style-type: none"><li>\$886 Million AUM as of Sept 30, 2020</li><li>Meridian Wealth Partners, LLC is a registered investment advisor and wholly-owned subsidiary of the Bank</li><li>Provides a comprehensive array of wealth management services and trusted guidance</li><li>Clients include:<ul style="list-style-type: none"><li>Professionals</li><li>High net worth individuals</li><li>Company benefit plans</li></ul></li><li>Synergies between the core bank and wealth businesses are building</li></ul>



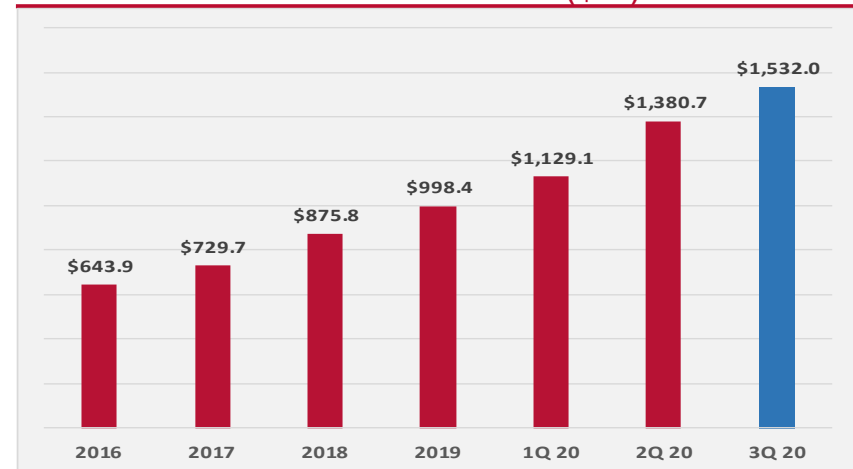


# Consistent Balance Sheet Growth

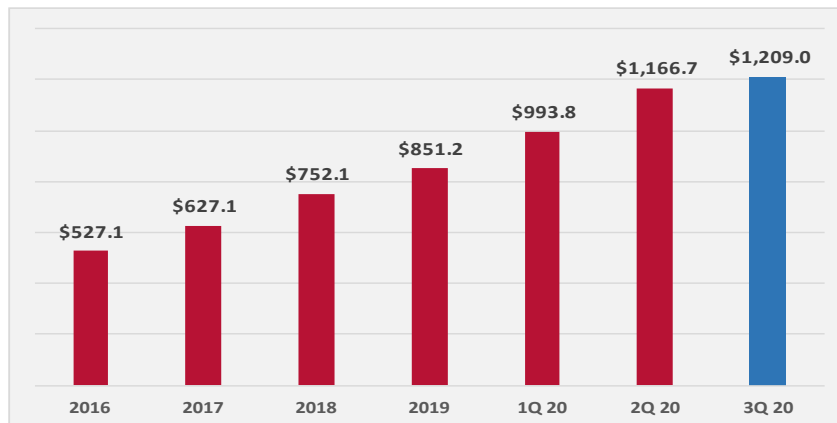
Total Assets (\$M)



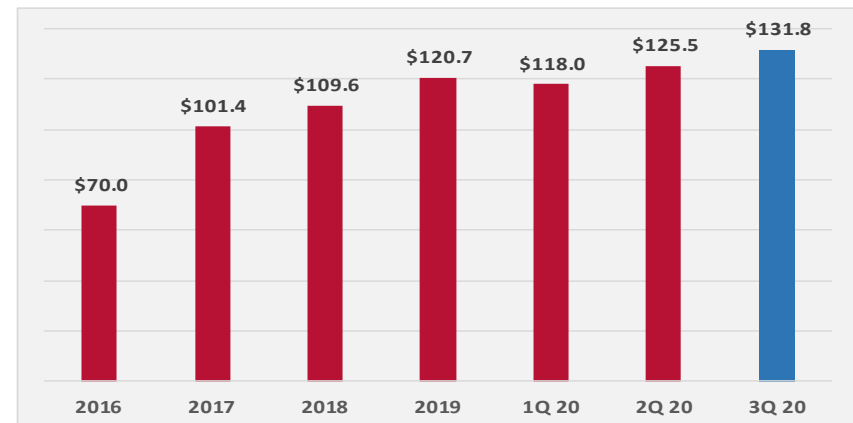
Loans and Leases<sup>1</sup> (\$M)



Total Deposits (\$M)



Consolidated Equity (\$M)



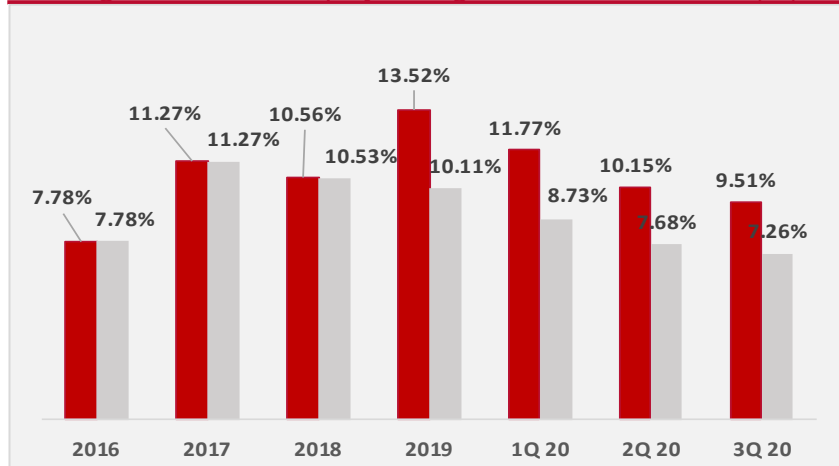
1) Includes loans held for sale and held for investment.



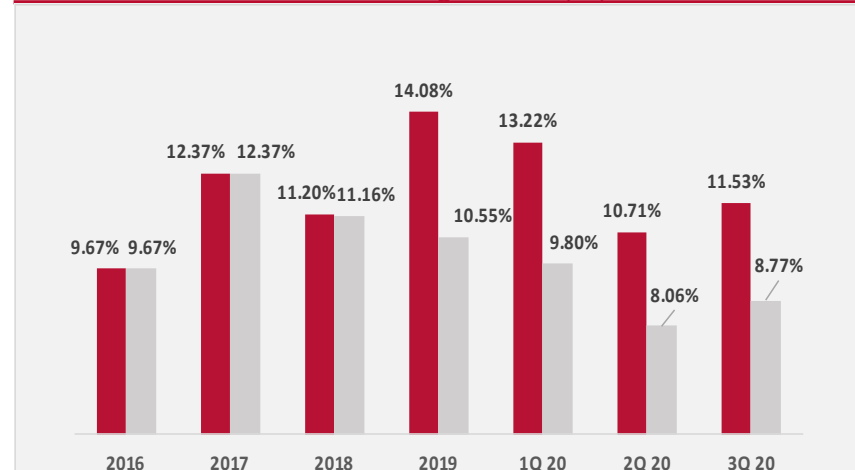


# Capital Summary

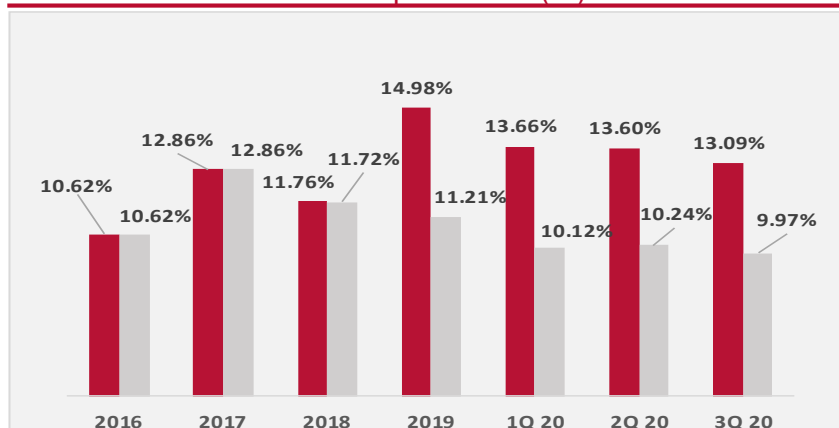
Tangible Common Equity / Tangible Common Assets (%)<sup>1</sup>



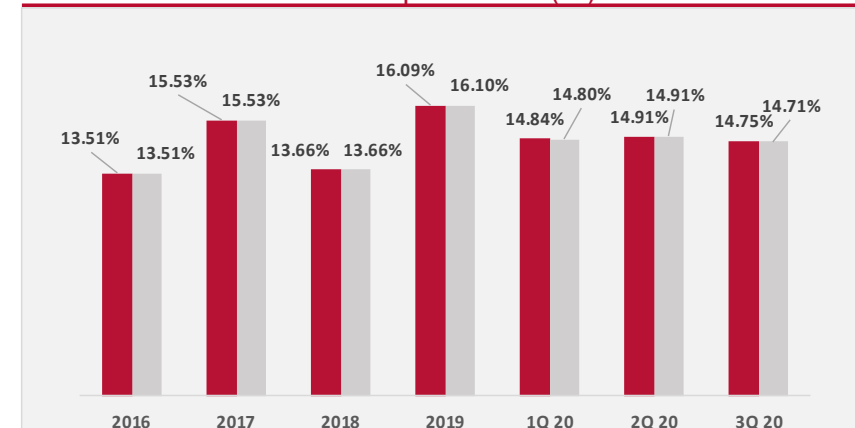
Tier 1 Leverage Ratio (%)



Tier 1 Capital Ratio (%)



Total Capital Ratio (%)

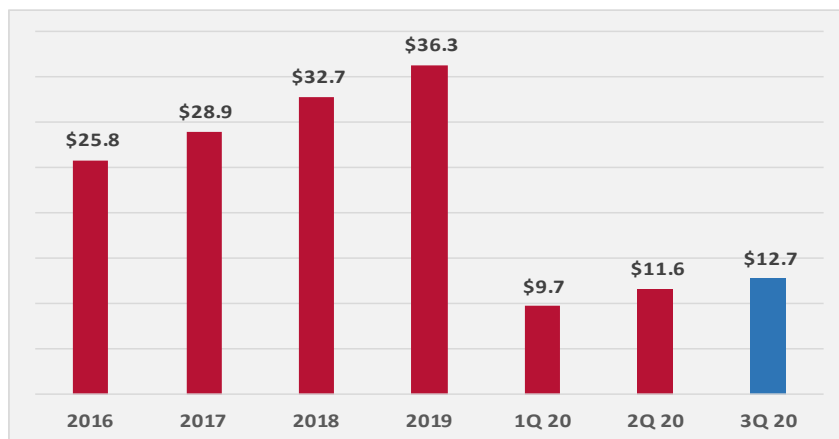


1) A Non-GAAP measure. Refer to Appendix for Non-GAAP to GAAP reconciliation.

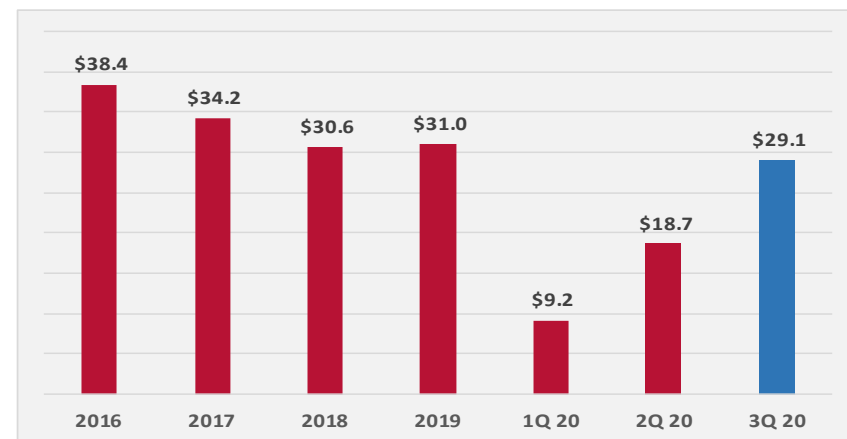


# Summary Income Statement<sup>1</sup>

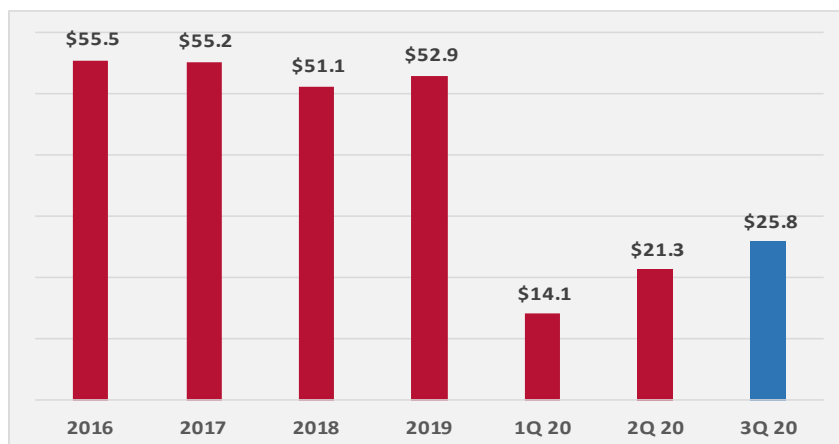
## Net Interest Income (\$M)



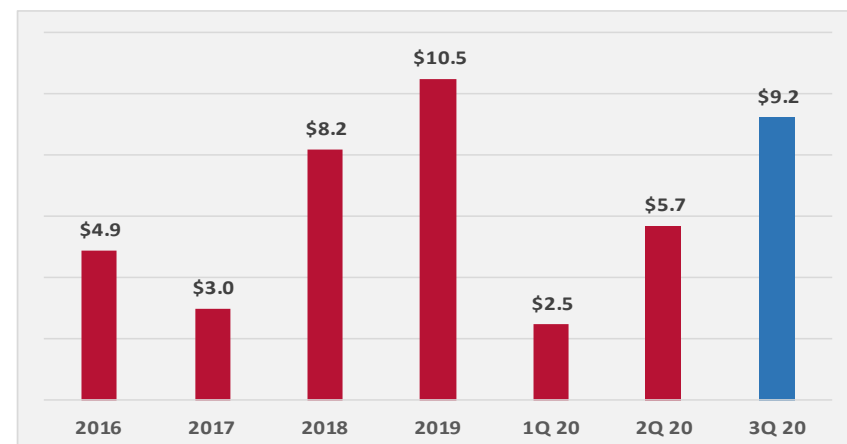
## Non-interest Income (\$M)



## Non-interest Expense (\$M)



## Net Income (\$M)



1) Decrease in 2017 profitability due to a decrease in net operating profit from mortgage division (\$1.8M); 2017 tax reform resulted in a one-time charge to tax expense of \$737K.



# 3QTR 2020 Highlights

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- Net income was \$9.2 million, an increase of \$3.5 million, or 61.3%, over 2Q, driven by strong non-interest income revenue for the quarter.
- Pre-tax, pre-provision income for the quarter was \$15.9 million, an increase of \$6.9 million, or 76.5%, over 2Q.
- Total revenue was \$44.9 million, an increase of \$11.2 million, or 33.2%, over 2Q.
- Non-interest income increased \$10.4 million, or 55.5%, over 2Q - driven by mortgage banking revenue, fee income and gains on sale of securities.
- Mortgage banking revenue increased \$5.0 million, or 29.9%, over 2Q due to higher levels of originations and refinancings stemming from the historically low rate environment as well as the expansion of our mortgage division into Maryland that took place in Q1 2020.
- Provision for loan losses for the quarter was \$4.0 million. ALLL to total loans, excluding loans at fair value and PPP loans, was 1.59% at 9/30/2020.
- Assets increased \$180 million, or 11.4%, quarter over quarter to \$1.8 billion due to loan growth of \$151.3 million. Total loans were \$1.5 billion at 9/30/2020. Mortgage loans held for sale were up \$107.5 million.
- The Board of Directors declared a quarterly cash dividend of \$0.125 per common share, payable November 23, 2020, to shareholders of record as of November 9, 2020.

# Segment Information

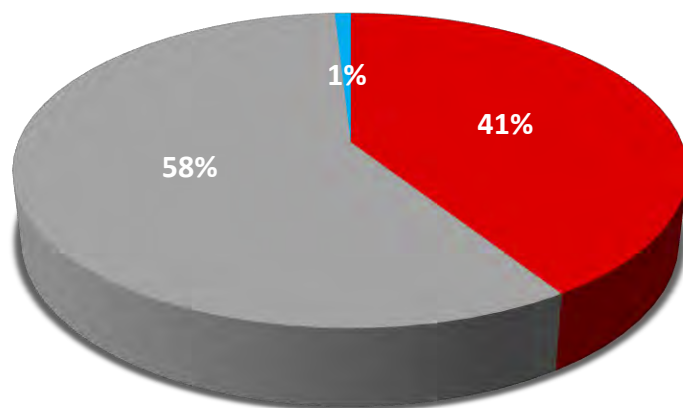


(dollars in thousands)

## Pre-tax/pre-provision Income:

	3Q 2020	2Q 2020	Change
Bank	6,531	4,908	1,623
Mortgage Banking	9,266	4,049	5,217
Wealth Management	144	77	67
<b>Total pre-tax/pre-provision Income</b>	<b>\$ 15,941</b>	<b>\$ 9,034</b>	<b>\$ 6,907</b>

Pre-tax/pre-provision income by segment percentage for three months ended September 30, 2020

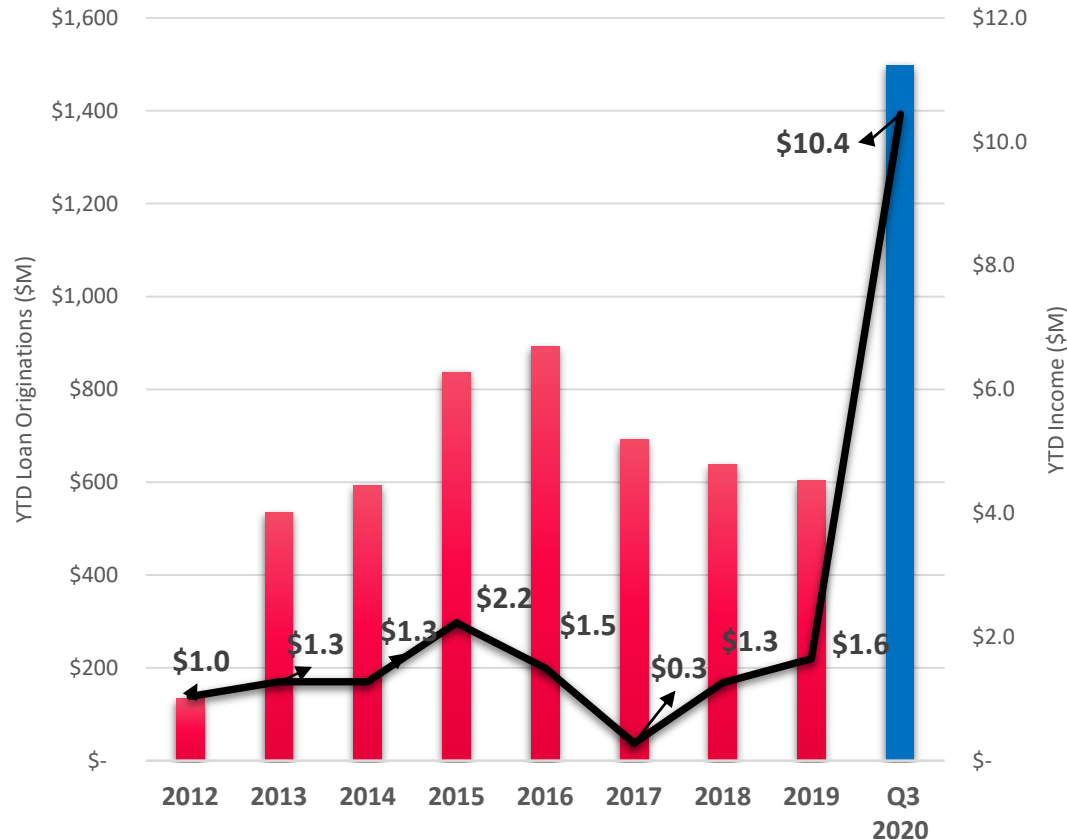


■ Bank ■ Mortgage Banking ■ Wealth Management

- Pre-tax/pre-provision (PTPP) income increased 76.5% over 2Q
- Bank PTPP increased \$1.6 million or 33% due largely to gains on sale of investment securities of \$1.3 million and an increase \$390 thousand or 9% in other fee income of
- Mortgage Banking income before tax increased \$5.2 million or 129% due to:
  - An increase of \$172.3 million or 32% in mortgage loan originations as a result of the rate environment and recent expansion into MD market
  - A corresponding increase in fair valued instruments of \$3 million related to mortgage pipeline
  - A decrease of \$664 thousand in hedging losses



# Mortgage Division Historical Performance



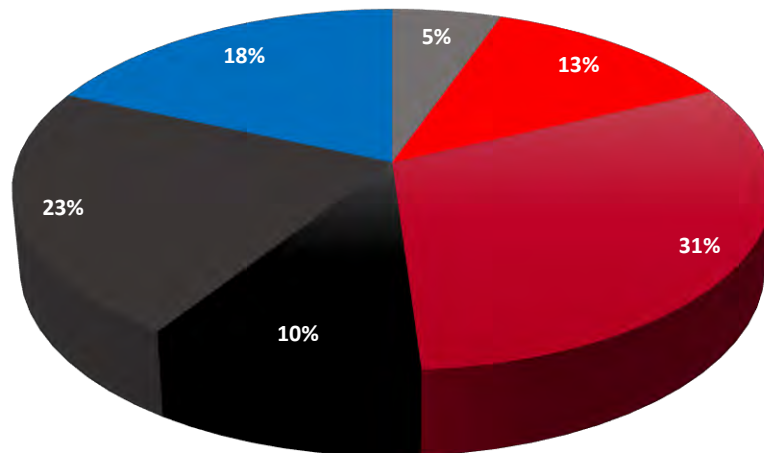
- Historically profitable
- Recent expansion into MD market
- YTD earnings \$10.4M
- Year-to-date originations \$1.5B
- 3Q originations were 54% refinance and 46% purchase market
- Historically purchase/refi mix greater than 75/25

# Balanced Loan Portfolio

September 30, 2020



Total Loans: \$1.5 Billion



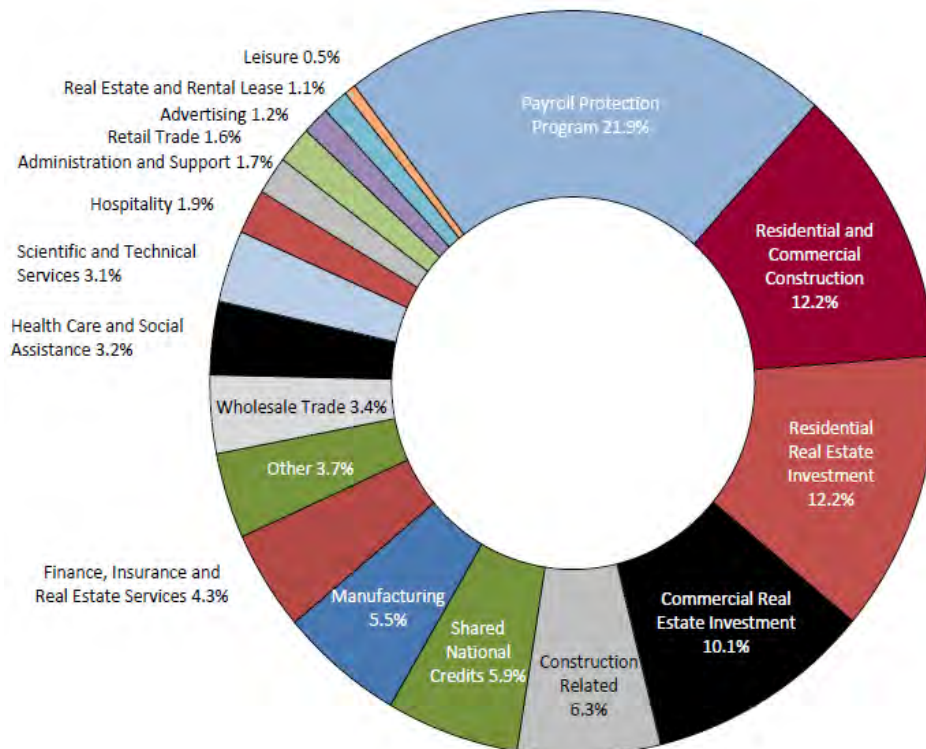
■ HELOC/Consumer ■ Residential ■ CRE ■ C&D ■ C&I ■ PPP

- ☞ \$1.5 Billion total gross loans and leases as of September 30, 2020<sup>1</sup>
  - \$254.0 M net PPP loans
- ☞ Strong sales culture
- ☞ Expansion of C & I Lending staff including:
  - SBA
  - Leasing
- ☞ Diverse portfolios and diverse industries as shown on next slide
- ☞ Average yield on loans of 4.27% for 3Q 2020
- ☞ Average yield on loans, excluding PPP loans, of 4.68% for 3Q 2020

1) Total loans held for investment and held for sale, net of fees and costs.  
Source: Company documents

# Commercial Loans by Industry

September 30, 2020



Industry Concentration (\$'s in Thousands)	Balance	Percent of Total
Payroll Protection Program	\$ 259,723	21.9%
Residential and Commercial Construction	\$ 144,990	12.2%
Residential Real Estate Investment	\$ 144,813	12.2%
Commercial Real Estate Investment	\$ 119,879	10.1%
Construction Related	\$ 75,336	6.3%
Shared National Credits	\$ 70,153	5.9%
Manufacturing	\$ 65,440	5.5%
Finance, Insurance and Real Estate Services	\$ 51,478	4.3%
Other	\$ 44,154	3.7%
Wholesale Trade	\$ 40,326	3.4%
Health Care and Social Assistance	\$ 37,736	3.2%
Professional, Scientific and Technical Services	\$ 37,121	3.1%
Hospitality	\$ 22,916	1.9%
Administration and Support	\$ 19,636	1.7%
Retail Trade	\$ 19,100	1.6%
Advertising	\$ 14,412	1.2%
Real Estate and Rental Lease	\$ 13,452	1.1%
Leisure	\$ 6,073	0.5%
	<b>\$ 1,186,738</b>	<b>100.0%</b>

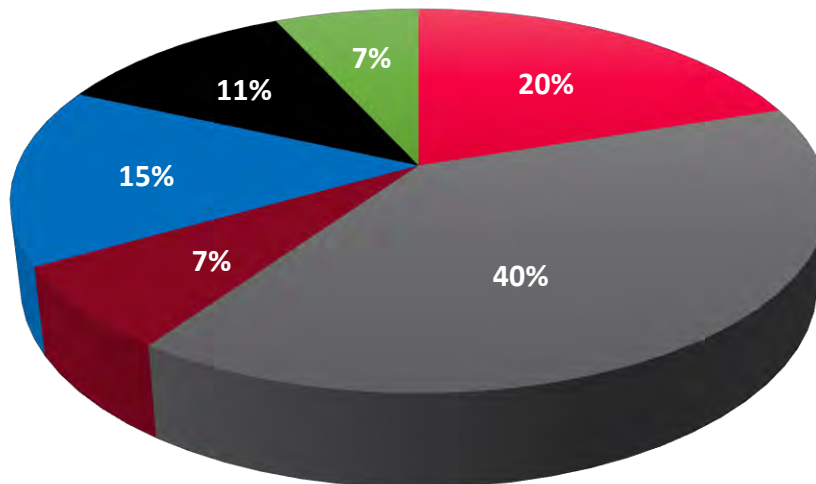
Note: Balances do not include consumer loans; HELOC, and 1<sup>st</sup> mortgages.

Source: Company documents





# Construction and Land Development



■ Pre-sold residential      ■ Spec residential  
■ Rental /commercial - 1-4 houses      ■ Rental /commercial - 5+ houses  
■ Mixed use      ■ Other

■ \$150.5 M in construction and land development loans as of September 30, 2020

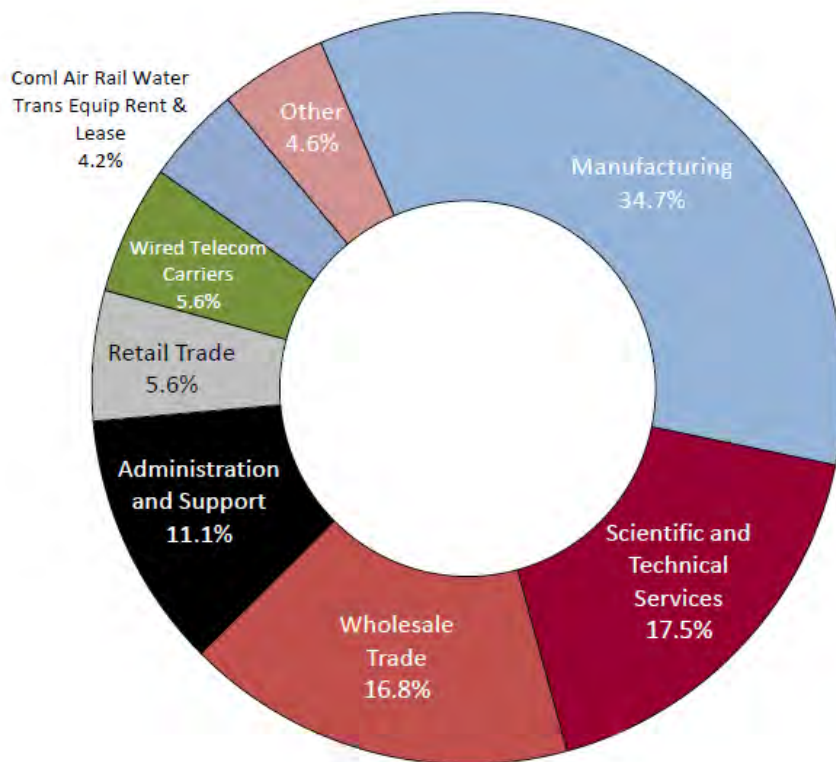
– \$25.3 M land development

■ Average yield on loans of 6.29% for 3Q 2020

■ 81% of total capital as of September 30, 2020

# Shared National Credits

## September 30, 2020

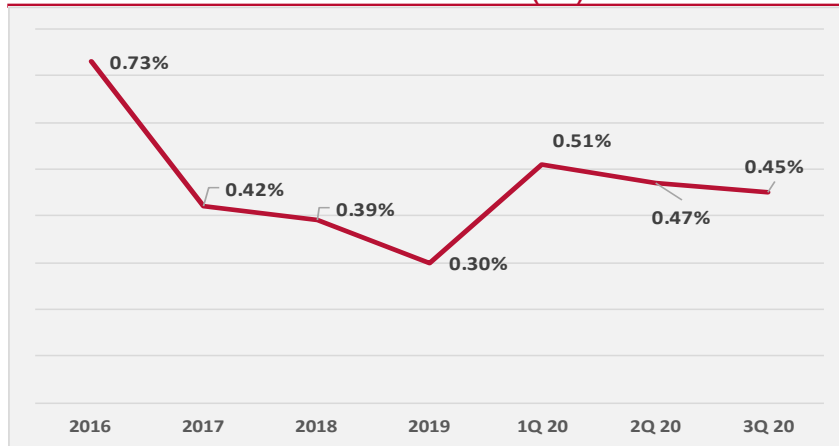


Industry Concentration	Balance	Percent of Total	Number of Loans
Manufacturing	\$ 24,312,349	34.7%	23
Scientific and Technical Services	\$ 12,258,181	17.5%	6
Wholesale Trade	\$ 11,802,739	16.8%	6
Administration and Support	\$ 7,752,653	11.1%	2
Retail Trade	\$ 3,927,046	5.6%	3
Wired Telecom Carriers	\$ 3,909,360	5.6%	1
Coml Air Rail Water Trans Equip Rent & Lease	\$ 2,940,000	4.2%	1
Other	\$ 3,250,205	4.6%	2
	<b>\$ 70,152,533</b>	<b>100.0%</b>	<b>44</b>



# Asset Quality

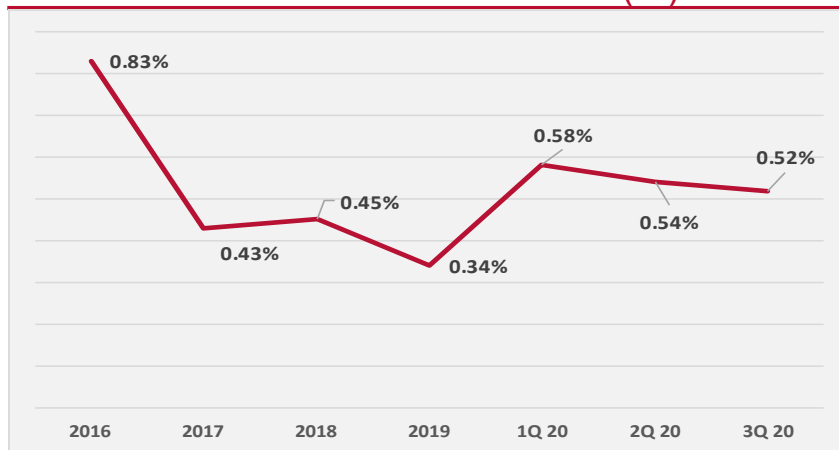
NPA<sup>1</sup> / Assets (%)



Reserves / Loans<sup>2</sup> (%)



Nonaccrual Loans / Loans (%)



Net Chargeoffs / Average Loans (%)



- 1) Nonperforming assets defined as loans 90+ days past due and still accruing, nonaccrual loans and leases and OREO, excluding performing TDRs.  
2) Excludes loans held for sale and, for 2Q/3Q 2020, PPP loans. A Non-GAAP measure. See Appendix for Non-GAAP to GAAP reconciliation.



# COVID-19 Response Update

## Pandemic Relief Summary by Portfolio

*(dollars in thousands)*

Loan Portfolio <sup>1</sup>	Portfolio Balance	Total <sup>2</sup>	Active <sup>3</sup>
Commercial mortgage	\$ 460,950	\$ 86,591	\$ 4,182
Commercial and industrial	269,826	24,362	200
Constr & land development	151,227	36,819	14,196
Home equity	71,400	1,348	-
Residential mortgage	44,134	4,800	558
Small business	44,281	144	-
Consumer	582	-	-
<b>Total</b>	<b>\$ 1,042,400</b>	<b>\$ 154,064</b>	<b>19,136</b>

<sup>1</sup> Excludes PPP loans and loans at fair value  
<sup>2</sup> Represents the portfolio balance at October 26, 2020 of loans that entered into COVID-19 pandemic related payment deferral arrangements at any time  
<sup>3</sup> Represents the portion of portfolio balance as of October 26, 2020 that have active deferral arrangements

**Payment deferrals have declined 88% to less than 2% of total portfolio**

## Loan Assistance Programs

- Overall program represents \$154.1 million or 14.8% of total loans
- Currently \$19.1 million, or 1.8% are still in active relief
- Commercial and Construction:
  - Original payment holiday up to 3 billing cycles; all second round deferrals renewed for 3 month terms.
  - Active deferrals consist of 4 relationships that total \$18.6 million.
- Residential: Payment holiday up to 6 months. Currently 3 loans, or \$558 thousand, are in forbearance
- SBA 7(a) loans: 9 mos. of payments by Small Bus. Administration

## Significantly Impacted Industries

*(dollars in thousands)*

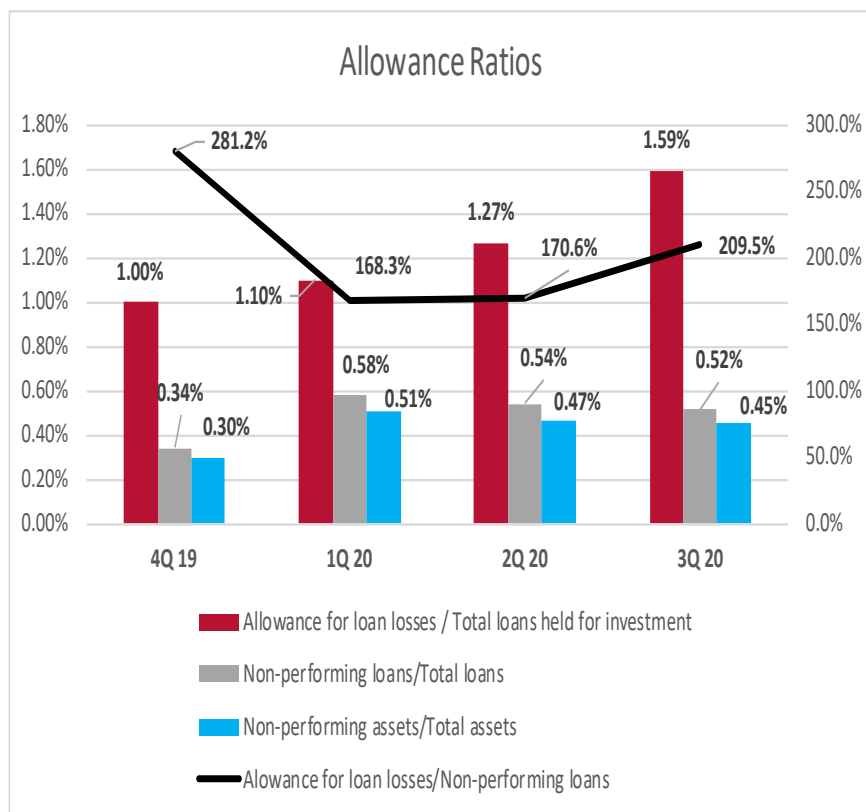
Industry	September 30, 2020			
	Portfolio Balance	% of Total Commercial Loans	Active Relief	% of Industry Balance
Retail Trade	\$ 23,027	1.9%	\$ -	0.0%
Hospitality	22,916	1.9%	11,782	51.4%
Residential Spec Constr	59,819	5.0%	-	0.0%
Advertising & Marketing	17,304	1.5%	-	0.0%

# Allowance for Loan Losses

September 30, 2020



## ALLL Coverage Ratios



## ALLL Coverage by Portfolio

(dollars in thousands)

September 30, 2020

Loan Portfolio*	Portfolio Balance	ALLL	Coverage
Commercial mortgage	\$ 460,950	\$ 6,935	1.50%
Commercial and industrial	269,826	5,195	1.93%
Constr & land development	151,227	2,482	1.64%
Home equity	71,400	516	0.72%
Residential mortgage	44,134	334	0.76%
Small business	44,281	1,107	2.50%
Consumer	582	4	0.74%
<b>Total</b>	<b>\$ 1,042,400</b>	<b>\$ 16,573</b>	<b>1.59%</b>

\*Excluding PPP loans and loans at fair value

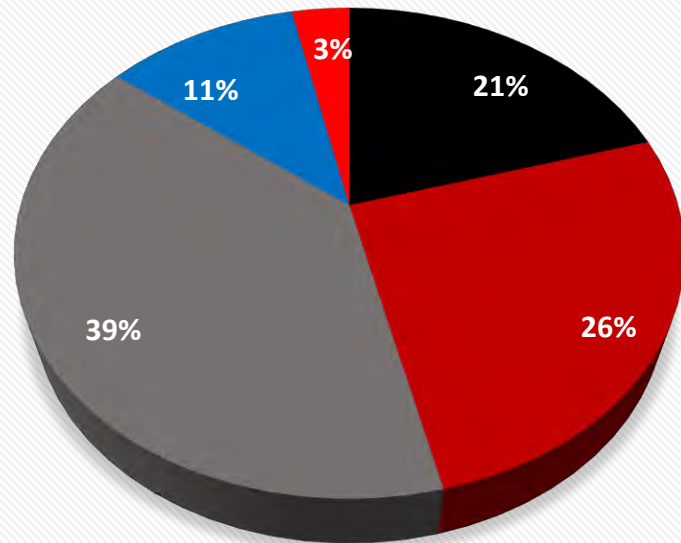
- Provision for loan losses was \$4.0 million for 3Q 2020
- ALLL to non-performing loans ratio increased to 209.5%
- ALLL to total loans\* ratio increased to 1.59% as of September 30, 2020, up from 1.00% at December 30, 2019



# Investment Portfolio Composition

September 30, 2020

Total Securities: \$110.9 Million



■ US asset backed  
■ US government agency  
■ State & municipal - tax free  
■ State & municipal - taxable  
■ Other

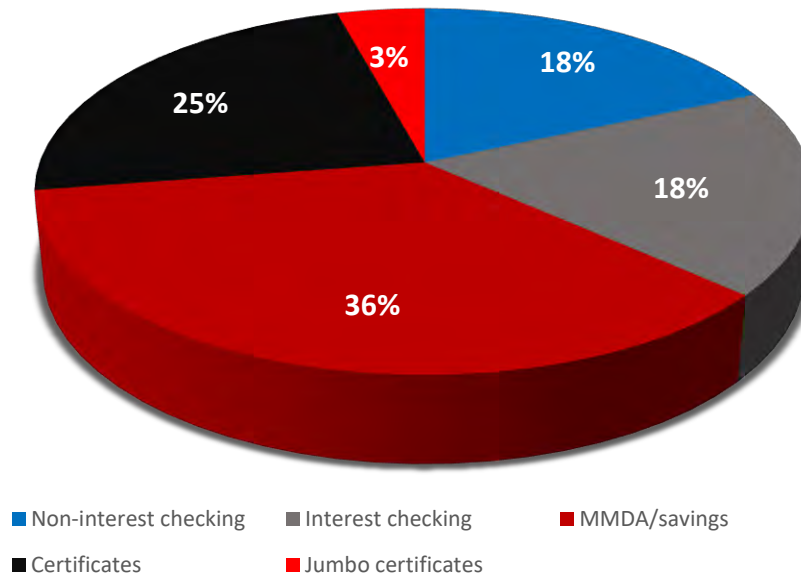
- 🌀 \$110.9 million total investments as of September 30, 2020
  - 94.1% available-for-sale
  - 5.9% held-to-maturity
- 🌀 Average TEY of 2.48% year-to-date
- 🌀 Realized gains of \$1.3 million in 3Q
- 🌀 Unrealized gain \$1.9 million at September 30, 2020
- 🌀 Conservative investment portfolio
  - 100% investment grade

# Deposit Composition

September 30, 2020



Total Deposits: \$1.2 Billion



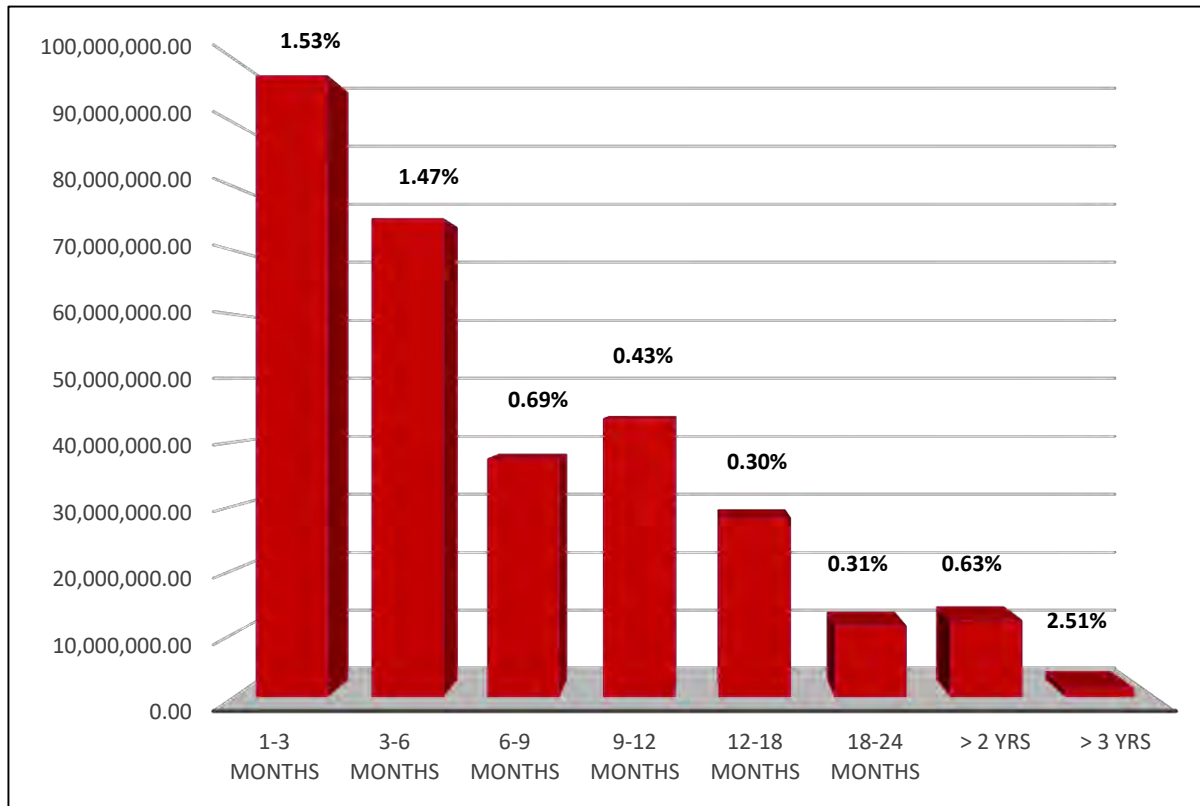
- \$1.2B total deposits as of September 30, 2020
- Diversified deposit mix
  - 36% transaction accounts
  - 18% noninterest-bearing deposits / deposits
  - Average cost of total deposits of 0.75% for 3Q 2020





# Time Deposit Repricing Opportunities

As of September 30, 2020



- \$100M time deposits matured during Q3
- Cost of CDs and cost of funds improved by 29 bps and 23 bps, respectively
- \$172M time deposits with a blended cost of 1.50% are maturing over next 2 quarters
- Potential to shed another 30 bps on total time deposit cost, over quarter over next 2 quarters



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# Appendix



# Historical Financial Highlights

<i>Dollar Values in Thousands, Except Per Share Amounts</i>	For the Year Ended					For the Quarter Ended				
	2015Y	2016Y	2017Y	2018Y	2019Y	3Q 19	4Q 19	1Q 20	2Q 20	3Q 20
<b>Balance Sheet</b>										
Total Assets	\$ 663,344	\$ 733,693	\$ 856,035	\$ 997,480	\$ 1,150,019	\$ 1,126,937	\$ 1,150,019	\$ 1,303,442	\$ 1,579,083	\$ 1,758,648
Loans <sup>1</sup>	584,428	643,864	729,661	875,801	998,414	984,473	998,414	1,129,067	1,380,659	1,531,997
Deposits	490,568	527,136	627,109	752,130	851,168	858,461	851,168	993,753	1,166,697	1,209,024
Gross Loans / Deposits	119.13%	122.14%	116.35%	116.44%	117.30%	114.68%	117.30%	113.62%	118.34%	126.71%
<b>Capital</b>										
Total Equity	\$ 52,921	\$ 69,963	\$ 101,363	\$ 109,552	\$ 120,695	\$ 117,772	\$ 120,695	\$ 118,033	\$ 125,518	\$ 131,832
Tangible Common Equity / Tangible Assets - HC <sup>3</sup>	7.98%	9.54%	11.27%	10.53%	10.12%	10.06%	10.12%	8.73%	7.68%	7.26%
Tangible Common Equity / Tangible Assets - Bank <sup>3</sup>	7.98%	9.54%	11.27%	10.53%	13.52%	10.06%	13.52%	11.77%	10.15%	9.51%
Tier 1 Leverage Ratio - HC	8.39%	9.67%	12.37%	11.16%	10.55%	10.69%	10.55%	9.80%	8.06%	8.77%
Tier 1 Leverage Ratio - Bank	8.39%	9.67%	12.37%	11.16%	14.08%	10.69%	14.08%	13.22%	10.71%	11.53%
Total Capital Ratio - HC	12.58%	13.51%	15.53%	13.66%	16.10%	13.11%	16.10%	14.80%	14.91%	14.71%
Total Capital Ratio - Bank	12.58%	13.51%	15.53%	13.66%	16.09%	13.11%	16.09%	14.84%	14.91%	14.75%
Commercial Real Estate Loans / Total RBC	149.94%	148.88%	155.83%	183.80%	176.97%	211.88%	176.97%	196.49%	182.99%	183.92%
<b>Earnings &amp; Profitability</b>										
Net Income	\$ 6,188	\$ 4,922	\$ 3,032	\$ 8,163	\$ 10,481	\$ 3,317	\$ 3,137	\$ 2,516	\$ 5,713	\$ 9,212
ROAA	1.02%	0.71%	0.39%	0.90%	1.01%	1.24%	1.13%	0.87%	1.56%	2.29%
ROAE	12.78%	7.69%	3.97%	7.77%	9.09%	11.29%	10.41%	8.40%	19.16%	29.30%
Net Interest Margin (NIM)(TEY)	3.98%	3.87%	3.93%	3.80%	3.65%	3.61%	3.61%	3.49%	3.27%	3.26%
NIM (TEY, excluding PPP loans and PPPLF borrowings) <sup>3</sup>	3.98%	3.87%	3.93%	3.80%	3.65%	3.61%	3.61%	3.49%	3.41%	3.47%
Non-Int Inc. / Avg. Assets	5.96%	6.21%	4.69%	3.58%	3.19%	3.68%	3.20%	3.60%	5.63%	7.23%
Efficiency Ratio	81.7%	87.3%	87.8%	81.4%	79.2%	74.1%	78.1%	75.9%	72.0%	61.8%
<b>Asset Quality</b>										
Nonaccrual Loans / Loans	0.68%	0.83%	0.43%	0.45%	0.34%	0.40%	0.34%	0.58%	0.54%	0.52%
NPAs / Assets	0.63%	0.73%	0.42%	0.39%	0.30%	0.36%	0.30%	0.51%	0.47%	0.45%
Reserves / Loans <sup>2,3</sup>	1.06%	0.90%	0.96%	0.97%	1.00%	1.01%	1.00%	1.10%	1.27%	1.59%
NCOs / Average Loans	0.21%	0.17%	0.13%	0.03%	(0.06%)	0.00%	(0.03%)	0.00%	0.00%	0.01%
<b>Yield and Cost</b>										
Yield on Earning Assets (TEY)	4.74%	4.62%	4.83%	5.14%	5.30%	5.29%	5.18%	4.98%	4.24%	4.07%
Yield on Earning Assets (TEY), excluding PPP loans <sup>3</sup>	4.74%	4.62%	4.83%	5.14%	5.30%	5.29%	5.18%	4.98%	4.50%	4.39%
Cost of Deposits	0.64%	0.66%	0.79%	1.29%	1.67%	1.71%	1.53%	1.41%	0.90%	0.75%
Cost of Interest-Bearing Liabilities	0.91%	0.95%	1.16%	1.69%	2.10%	2.12%	1.99%	1.87%	1.30%	1.09%

1) Includes loans held for sale and held for investment.

2) Includes loans held for investment (excluding loans at fair value and PPP loans).

3) A Non-GAAP measure. See Appendix for Non-GAAP to GAAP reconciliation.

Note: 2015-2017 Financials are at bank level; Meridian Corporation Holding Company formed Q32018.



# Reconciliation of Non-GAAP Financial Measures

## *Tangible common equity to tangible assets*

Management uses the measure tangible common equity to tangible assets to assess our capital strength. We believe that this non-GAAP financial measure is useful to investors because, by removing the impact of our preferred stock, goodwill and other intangible assets, it allows investors to more easily assess our capital adequacy. This non-GAAP financial measure should not be considered a substitute for any regulatory capital ratios and may not be comparable to other similarly titled measures used by other companies. The table below provides the non-GAAP reconciliation for our tangible common equity to tangible assets:

<i>(dollars in thousands)</i>								
<b>Meridian Corporation</b>	<b>2015Y</b>	<b>2016Y</b>	<b>2017Y</b>	<b>2018Y</b>	<b>2019Y</b>	<b>1Q 20</b>	<b>2Q 20</b>	<b>3Q 20</b>
<b>Tangible common equity ratio:</b>								
Total stockholders' equity	52,921	69,963	101,363	109,552	120,695	118,033	125,518	131,832
Less:								
Goodwill	—	—	899	899	899	899	899	899
Intangible assets	—	—	4,596	4,147	3,874	3,805	3,737	3,668
Tangible common equity	52,921	69,963	95,869	104,507	115,922	113,329	120,882	127,265
Total assets	663,344	733,693	856,035	997,480	1,150,019	1,303,442	1,579,083	1,758,648
Less:								
Goodwill	—	—	899	899	899	899	899	899
Intangible assets	—	—	4,596	4,147	3,874	3,805	3,737	3,668
Tangible assets	\$ 663,344	733,693	850,540	992,434	1,145,246	1,298,738	1,574,447	1,754,081
Tangible common equity ratio	7.98%	9.54%	11.27%	10.53%	10.12%	8.73%	7.68%	7.26%

<i>(dollars in thousands)</i>								
<b>Meridian Bank</b>	<b>2015Y</b>	<b>2016Y</b>	<b>2017Y</b>	<b>2018Y</b>	<b>2019Y</b>	<b>1Q 20</b>	<b>2Q 20</b>	<b>3Q 20</b>
<b>Tangible common equity ratio:</b>								
Total stockholders' equity	52,921	69,963	101,363	109,552	159,643	157,544	164,446	171,298
Less:								
Goodwill	—	—	899	899	899	899	899	899
Intangible assets	—	—	4,596	4,147	3,874	3,805	3,737	3,668
Tangible common equity	52,921	69,963	95,869	104,507	154,870	152,841	159,810	166,731
Total assets	663,344	733,693	856,035	997,480	1,149,979	1,303,282	1,579,083	1,758,244
Less:								
Goodwill	—	—	899	899	899	899	899	899
Intangible assets	—	—	4,596	4,147	3,874	3,805	3,737	3,668
Tangible assets	\$ 663,344	733,693	850,540	992,434	1,145,206	1,298,578	1,574,447	1,753,677
Tangible common equity ratio	7.98%	9.54%	11.27%	10.53%	13.52%	11.77%	10.15%	9.51%



# Reconciliation of Non-GAAP Financial Measures

*Dollar Values in Thousands*

Reconciliation of PPP Related Non-GAAP Measures	For the Quarter Ended		
	1Q 20	2Q 20	3Q 20
<b>Reconciliation of Net Interest Margin (TEY, excluding PPP loans and PPPLF borrowings)</b>			
Net interest margin (TEY)	3.49%	3.27%	3.26%
Impact of PPP loans and PPPLF borrowings	—	0.14%	0.21%
<b>Net interest margin (TEY, excluding PPP loans and PPPLF borrowings)</b>	<b>3.49%</b>	<b>3.41%</b>	<b>3.47%</b>
<b>Reconciliation of Reserves / Loans</b>			
Allowance for loan losses / Total loans held for investment	1.08%	1.01%	1.27%
Less: Impact of loans held for investment - fair valued	0.02%	0.00%	0.00%
Less: Impact of PPP loans	—	0.26%	0.32%
<b>Allowance / Total loans held for investment (excl. loans at fair value and PPP loans)</b>	<b>1.10%</b>	<b>1.27%</b>	<b>1.59%</b>
<b>Reconciliation of Yield on Earning Assets</b>			
Yield on earning assets (TEY)	4.98%	4.24%	4.07%
Impact of PPP loans	—	0.26%	0.32%
<b>Yield on earning assets (TEY, excluding PPP loans)</b>	<b>4.98%</b>	<b>4.50%</b>	<b>4.39%</b>

Reconciliation of Pre-tax, Pre-Provision Non-GAAP Measure	For the Quarter Ended		
	1Q 20	2Q 20	3Q 20
Net income	\$ 2,516	\$5,713	9,212
Add: Provision for loan loss	1,552	1,631	3,956
Add: Income tax expense	755	1,690	2,773
<b>Pre-tax, pre-provision income</b>	<b>\$4,823</b>	<b>\$9,034</b>	<b>\$15,941</b>