UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20429

FORM 10-K

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

For the fiscal year ended December 31, 2020

Or

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

For the transition period from ________ to ________

Commission File Number: **000-55983**

MeridianCorporation

(Exact name of registrant as specified in its charter)

Pennsylvania	**83-1561918**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9 Old Lincoln Highway, Malvern, Pennsylvania 19355
(Address of principal executive offices) (Zip Code)

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

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

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common Stock, par value $1 per share	**MRBK**	**The Nasdaq Stock Market LLC**

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒Yes ☐No

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 USC. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒Yes ☐No

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

The approximate aggregate market value of voting stock held by non-affiliates of the registrant is $86,053,850 as of June 30, 2020 based upon the last sales price in which our common stock was quoted on the NASDAQ Stock Market on June 30, 2020.

As of March 25, 2021 there were 6,167,695 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement, to be filed with the Commission no later than 120 days after December 31, 2020 in connection with the 2021 Annual Meeting of Stockholders, are incorporated by reference into Part III of this Annual Report on Form 10-K.

MERIDIAN CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

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PART I

Cautionary Statement Regarding Forward-Looking Statements

Meridian Corporation (the "Corporation" or "Meridian") 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.

Item 1. Business

General

Meridian Corporation is a bank holding company engaged in banking activities through its wholly-owned subsidiary, Meridian Bank (the "Bank"), a full-service, state-chartered commercial bank with offices in the Delaware Valley tri-state market, which includes Pennsylvania, New Jersey and Delaware, in addition to Maryland. We have a financial services business model with significant non-interest income streams from mortgage lending, small business ("SBA") lending and wealth management services. We provide services to small and middle market businesses, professionals and retail customers throughout our market area. We have a modern, progressive, consultative approach to creating innovative solutions for our customers. We are technology driven, with a culture that incorporates significant use of customer preferred alternative delivery channels, such as mobile banking, remote deposit capture and bank-to-bank ACH. Our 'Meridian everywhere' philosophy of community presence, along with our strategic business footprint, allows us to provide the high degree of service, convenience and products our customers need to achieve their financial objectives. We provide this service through three principal business line distribution channels, described further below.

Corporate Structure and Business Lines

The Corporation is the parent to the Bank. The Bank is the parent to four wholly-owned subsidiaries: Meridian Land Settlement Services, LLC, which provides title insurance services; Apex Realty, LLC, a real estate holding company; Meridian Wealth Partners, LLC, a registered investment advisory firm, ("Meridian Wealth"); and Meridian Equipment Finance, LLC, an equipment leasing company. With these subsidiaries, the Corporation is organized into the following three lines of business.

Commercial Banking

The first line of business is our traditional banking operations, serving both commercial and consumer customers via deposits and treasury management, commercial and industrial lending and leasing, commercial real estate lending, small business lending, consumer and home equity lending, private banking, merchant services, and title and land settlement services.

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.

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

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

The commercial real estate division offers 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 extensive backgrounds of our commercial real estate lending team, not only in banking, but also directly in the builder/developer fields, bring a unique perspective and ability to communicate and consider all elements of a project and related risk from the clients' viewpoint as well as ours.

Mortgage Banking

The second line of business is mortgage banking. 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. The mortgage division operates and originates mortgage loans in the Delaware Valley tri-state market, in addition to the Maryland markets, most typically for 1-4 family dwellings, with the intention of selling substantially all of these loans in the secondary market to qualified investors, while retaining the servicing rights on these loans. Mortgages are originated through sales and marketing initiatives, as well as realtor, builder, bank, advertising and customer referral resources. The mortgage division performs origination, processing, underwriting, closing and post-closing functions both from our Blue Bell mortgage headquarters with 8 other production/processing offices in the Delaware Valley tri-state market, and from Maryland through our expanded footprint of 7 other production/processing offices in the state starting in early 2020.

Wealth Management and Advisory Services

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

Market Area

Meridian is headquartered in Malvern, PA and has six full-service branches. Its main branch, in Paoli, serves the Main Line. The West Chester and Media branches serve Chester and Delaware counties, respectively, while the Doylestown and Blue Bell branches serve Bucks and Montgomery counties, respectively. Our sixth branch is in Philadelphia. These branches provide "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 locations, including headquarters for Corporate, and the Wealth Division and the Mortgage Divisions.

Demographic information for the five county Philadelphia metropolitan area shows our primary market to be stable, with moderate population growth. According to the U.S. Census Bureau – Quick Facts 2015 – 2019, the median household income in the area is $80,261 compared to the national average of $62,843. Unemployment in the five county Philadelphia metropolitan area is 6.2%, compared to the national average of 6.7%, according to the Bureau of Labor Statistics for November 2020.

Competition

Overall, the banking business in the suburban Philadelphia market area 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 customer preferred electronic delivery channels while providing an attractive banking platform and competitive interest rates and fees.

Human Capital Resources

At December 31, 2020, we employed 381 individuals, nearly all of whom are full-time. None of these employees are covered by collective bargaining agreements, and the Corporation believes it enjoys good relations with its personnel. In December of 2020, the Bank was named by the Independent Community Bankers of American ("ICBA") as one of their 'Best Community Banks to Work For' in 2020. As an integrated full-service financial institution, approximately 41% of our employees are employed through our banking segment, 56% through our mortgage segment, and 3% for our wealth segment. We encourage and support the development of our employees and, whenever possible, strive to fill vacancies with internal candidates.

Our Current Capital Stock Structure

As of December 31, 2020 Meridian had 6,135,566 shares of common stock, $1 par value, issued and outstanding. There is no preferred stock outstanding.

Implications of Being an Emerging Growth Company

We qualify as an "emerging growth company" as defined by the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"). An emerging growth company may take advantage of reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company,

- we may present only two years of audited financial statements and only two years of related management discussion and analysis of financial condition and results of operations;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements; and
- we are not required to give our shareholders non-binding advisory votes on executive compensation or golden parachute arrangements.

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

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

Information about Meridian

Our executive offices are located at 9 Old Lincoln Highway, Malvern, PA 19355 and our telephone number is (484) 568-5000. Our Internet website is www.meridianbanker.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and all amendments thereto, from November 7, 2017 through August 18, 2018 have been filed with the FDIC. Since August 19, 2018, all reports on Form 8-K, and Form 10-Q along with this Annual Report on Form 10-K have been filed with the SEC. Also on our website are our Audit Committee and Compensation Committee Charters. The information contained in our website or in any websites linked by our website, is not part of this Annual Report on Form 10-K. The Corporation's filings with the SEC can also be accessed at the SEC's internet website: http://www.sec.gov.

Investors can obtain copies of Meridian's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, on Meridian's website (accessible under "Investor Relations" – "SEC Filings") as soon as reasonably practicable after Meridian has filed such materials with, or furnished them to, the SEC. Meridian will also furnish a paper copy of such filings free of charge upon request.

We also file reports of our condition and income, known as "Call Reports," with the FDIC and the Parent Company Only Financial Statement for Small Holding Companies known as the "FR Y-9SP" with the Federal Reserve. These reports are available on the FFIEC Central Data Repository's Public Data Distribution website at cdr.ffiec.gov/public.

Current Overview of the Impact from the COVID-19 Pandemic

Overview. Our business has been, and continues to be, impacted by the ongoing COVID-19 pandemic. In March 2020, the outbreak of the novel Coronavirus Disease 2019 ("COVID-19") was recognized as a pandemic by the World Health Organization and a national emergency by the President of the United States. The spread of COVID-19 has created a global public health crisis that has resulted in unprecedented uncertainty, volatility and disruption in financial markets and in governmental, commercial and consumer activity in the United States and globally, including the markets that we serve. Efforts to limit the spread of COVID-19 have included shelter-in-place orders, the closure of non-essential businesses, travel restrictions, supply chain disruptions and prohibitions on public gatherings, among other things, throughout many parts of the United States and, in particular, the markets in which we operate. These responses and restrictions have led to a loss of revenues for certain industries and a sudden increase in unemployment, volatility in oil and gas prices and in business valuations, market downturns and volatility, changes in consumer behaviors, related emergency response legislation and an expectation that Federal Reserve policy will maintain a low interest rate environment for the foreseeable future.

Impact on our Operations. In the Commonwealth of Pennsylvania and neighboring states, many jurisdictions declared health emergencies. The resulting closures and/or limited operations of non-essential businesses and related economic disruption have impacted our operations as well as the operations of our customers. Financial services were identified as a Critical Infrastructure Sector by the Department of Homeland Security. Accordingly, our business has remained open throughout the pandemic. To address the issues arising as a result of COVID-19, we implemented the following: implemented our communications plans to ensure our employees, customers and critical vendors are kept abreast of developments affecting our operations; restricted all non-essential travel and large external gatherings and have instituted a mandatory quarantine period for anyone that has traveled to an impacted area; after temporarily closing all of our branches and other corporate facilities to non-employees, except for certain limited cases by appointment only, we reopened our financial center lobbies; Expanded remote-access availability so that nearly all of our workforce has the capability to work from home or other remote locations. All activities are performed in accordance with our compliance and information security policies designed to ensure customer data and other information is properly safeguarded; and instituted mandatory social distancing policies for those employees not working remotely.

Impact on our Financial Position and Results of Operations. Our financial position and results of operations are particularly susceptible to the ability of our loan customers to meet loan obligations, the availability of our workforce, the availability of our vendors and the decline in the value of assets held by us. The COVID-19 pandemic has resulted in a significant decrease in commercial and consumer activity throughout the Commonwealth of Pennsylvania, and neighboring states in our market area, as well as nationally. This decrease in business activity has caused and may continue to cause our customers, vendors and counterparties to be unable to meet existing payment or other obligations to us. The COVID-19 pandemic, combined with certain pre-existing factors, including, but not limited to, international trade disputes, inflation risks and oil price volatility, could further destabilize the financial markets and geographies in which we operate. The resulting economic pressure on consumers and uncertainty regarding the sustainability of any economic improvements has impacted the creditworthiness of potential and current borrowers. Borrower loan defaults that adversely affect our earnings correlate with deteriorating economic conditions, which, in turn, are likely to impact our borrowers' creditworthiness and our ability to make loans. See further information related to the risk exposure of our loan portfolio under the sections captioned “Loans” and “Allowance for Loan and Lease Losses” elsewhere in this discussion.

Legislative and Regulatory Developments. Actions taken by the federal government and the Federal Reserve and other bank regulatory agencies to mitigate the economic effects of COVID-19 have had an impact on our financial position and results of operations. The Federal Reserve lowered the target for the federal funds rate to a range of between zero to 0.25% effective on March 16, 2020. The decline in interest rates has already led to new all-time low yields across the US Treasury maturity curve. In September 2020, the Federal Reserve indicated that it expects to maintain the targeted federal funds rate at current levels until such time that labor market conditions have reached levels consistent with the Federal Open Market Committee's assessments of maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time. This timeframe is currently expected to last through 2023.

To address the economic impact in the U.S., in March and April 2020, the President signed into law four economic stimulus packages to provide relief to businesses and individuals, including the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act”). Among other measures, the CARES Act created funding for the Small Business Administration ("SBA”) Paycheck Protection Program ("PPP”), which provides loans to small businesses to keep their employees on payroll and make other eligible payments. The original funding for the PPP was fully allocated by mid-April 2020, with additional funding made available on April 24, 2020 under the Paycheck Protection Program and Health Care Enhancement Act.

On April 9, 2020, the Federal Reserve took additional steps to bolster the economy by providing additional funding sources for small and mid-sized businesses as well as for state and local governments as they work through cash flow stresses caused by the COVID-19 pandemic. Additionally, the Federal Reserve has taken other steps to provide fiscal and monetary stimuli, including reducing the federal funds rate and the interest rate on the Federal Reserve’s discount window, and implementing programs to promote liquidity in certain securities markets. The Federal Reserve, along with other U.S. banking regulators, has also issued interagency guidance to financial institutions that are working with borrowers affected by the COVID-19 pandemic.

In December 2020, the Bipartisan-Bicameral Omnibus COVID Relief Deal, included as a component of appropriations legislation, was enacted to provide economic stimulus to individuals and businesses in further response to the economic distress caused by the COVID-19 pandemic. Among other things, the legislation includes (i) payments of $600 for individuals making up to $75,000 per year, (ii) extension of the Federal Pandemic Unemployment Compensation program to include a $300 weekly enhancement in unemployment benefits beginning after December 26, 2020 up to March 14, 2021, (iii) a temporary and targeted rental assistance program, and extends the eviction moratorium through January 31, 2021, (iv) targeted funding related to transportation, education, agriculture, nutrition and other public health measures and (v) approximately $325 billion for small business relief, including approximately $284 billion for a second round of PPP loans and a new simplified forgiveness procedure for PPP loans of $150,000 or less. We are continuing to monitor the potential development of additional legislation and further actions taken by the U.S. government.

The Federal Reserve created various additional lending facilities and expanded existing facilities to help provide financing in response to the financial disruptions caused by COVID-19. The programs include, among others, the Paycheck Protection Program Liquidity Facility (the "PPPLF"), which is intended to extend loans to banks making PPP loans. The Federal Reserve announced extensions through March 31, 2021 for several of its lending facilities, including the PPPLF, that were generally scheduled to expire on or around December 31, 2020. As more fully discussed below, we are currently participating in the PPP as a lender and have also participated in the PPPLF.

Pursuant to the CARES Act, Section 1112, Congress determined that all existing borrowers under the SBA Section 7(a) program have been adversely affected by COVID-19, and therefore were entitled to a subsidy in the form of relief payments. Specifically, the CARES Act provides that the SBA was to pay the principal and interest on any existing and current SBA 7(a) loan for a period of nine months. These principal and interest payments were made by the SBA directly to the SBA 7(a) lender, and as such, are separate from any loan modifications made at the direction of the Bank. The Bank is a qualified SBA Section 7(a) lender, and participated in the Section 1112 program. As of December 31, 2020, the Bank had 120 loans eligible for the program, with an aggregate principal amount of $66.1 million.

On January 19, 2021, the SBA extended such payments under Section 1112(c)(1) of the CARES Act, as amended by Section 325 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act), enacted on December 27, 2020. Of the 120 SBA Section 7(a) loans discussed above, approximately 76 for a total value of $41.7 million are eligible to receive 2 additional monthly payments each from the SBA, with a maximum payment of $9,000 per loan. Additionally, all SBA Section 7(a) loans originated by Meridian from February 1, 2021 to September 30, 2021 are eligible for 3 months of payments to be made by the SBA, with a maximum payment of $9,000 per loan.

In response to the COVID-19 pandemic, the Corporation's management took the following actions to assist customers:

- Through our participation in the first round of the PPP program in 2020, Meridian originated $259.7 million in PPP loans, assisting 928 customers in need of this short-term funding. These PPP loans helped our small business customers to support the paychecks of nearly 16,660 employees. Approximately 89% of PPP loans were given to customers in the markets we serve in Pennsylvania, New Jersey and Delaware. As of December 31, 2020 through ongoing forgiveness of PPP loan balances by the SBA, the total balance of PPP loans outstanding had decreased to $203.5 million.

  Meridian has engaged a third-party Fintech technology partner to assist the bank and its customers to automate the forgiveness application process. This application will also be used for the second round of PPP loan originations and forgiveness.

- Throughout the pandemic, Meridian worked with commercial, construction and residential loan customers to provide assistance with loan payment holidays of 3 to 6 months or lowered interest rates for certain construction loans. In total, approximately $156.3 million of loans covering approximately 200 borrowers were assisted with loan payment holidays of 3-6 months. As of December 31, 2020, $129.4 million of loans had returned to their original payment terms with $26.9 million in loans still in forbearance.

  At the inception of the pandemic, local governors ordered all non-essential businesses to close, mandated stay-at-home orders, closed schools and universities and put a moratorium on construction for a period of time. The economic impact was widespread, but certain businesses have been more acutely impacted. Aside from construction lending, Meridian continues to monitor commercial portfolios and identified various industries that have been substantially impacted by these mandates such as retail trade, hospitality, residential spec construction and advertising/marketing. At December 31, 2020, Meridian's exposure as a percent of the total loan portfolio to these industries was 2.8%, 2.5%, 6.1%, and 1.5%, respectively.

SUPERVISION AND REGULATION

Meridian and its 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.

The Bank is an FDIC-insured commercial bank chartered under the laws of Pennsylvania with regulatory oversight from the FDIC and the Pennsylvania Department of Banking and Securities ("PDBS"). The holding company, Meridian Corporation, is subject to supervision and examination by, and the regulations and reporting requirements of, the Board of Governors of the Federal Reserve System, and is subject to the disclosure and regulatory requirements of the Exchange Act. 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.

Permissible Activities for Bank Holding Companies

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

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

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

Permissible Activities for Banks

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

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

Meridian currently conducts certain non-banking activities through certain of the Bank’s non-bank subsidiaries. Meridian Bank currently operates four wholly-owned subsidiaries: Meridian Land Settlement Services, which provides title insurance services; Apex Realty, a real estate holding company; Meridian Wealth, a registered investment advisory firm, and Meridian Equipment Finance, an equipment leasing company.

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

Control Acquisitions. The Change in Bank Control Act (“CBCA”) prohibits a person or group of persons from acquiring “control” of a bank holding company unless the Federal Reserve has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as Customers Bancorp, would, under the circumstances set forth in the presumption, constitute acquisition of control of Customers Bancorp.

In addition, the CBCA prohibits any entity from acquiring 25% (the BHC Act has a lower limit for acquirers that are existing bank holding companies) or more of a bank holding company’s or bank’s voting securities, or otherwise obtaining control or a controlling influence over a bank holding company or bank without the approval of the Federal Reserve. On January 31, 2020, the Federal Reserve Board approved the issuance of a final rule (which became effective April 1, 2020) that clarifies and codifies the Federal Reserve’s standards for determining whether one company has control over another. The final rule establishes four categories of tiered presumptions of non-control that are based on the percentage of voting shares held by the investor (less than 5%, 5-9.9%, 10-14.9% and 15-24.9%) and the presence of other indicia of control. As the percentage of ownership increases, fewer indicia of control are permitted without falling outside of the presumption of non-control. These indicia of control include nonvoting equity ownership, director representation, management interlocks, business relationship and restrictive contractual covenants. Under the final rule, investors can hold up to 24.9% of the voting securities and up to 33% of the total equity of a company without necessarily having a controlling influence.

Dividends

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

Federal banking regulators are authorized to determine under certain circumstances relating to the financial condition of a bank holding company or a bank that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In particular, federal banking regulators have stated that paying dividends that deplete a banking organization’s capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings. In addition, in the current financial and economic environment, the federal banking regulators have indicated that banks should carefully review their dividend policy and have discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong. Under the Capital Rules, institutions that seek to pay dividends must maintain 2.5% in Common Equity Tier

1 capital attributable to the capital conservation buffer, which is to be phased in over a three-year period that began on January 1, 2016. See "—Regulatory Capital Requirements".

Our principal source of cash flow and income is 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, the Bank generally may not pay dividends in excess of its net profits.

On May 24, 2018 the Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRCPA"), amended certain aspects of the company-run stress testing requirement in section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). These updated rules require bank holding companies and banks with average total consolidated assets greater than $250 billion to conduct a periodic company-run stress test of capital, consolidated earnings and losses under one base and 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, the FDIC and the PDBS will consider our results as an important factor in evaluating our capital adequacy, any proposed acquisitions by us or by the holding company and whether any proposed dividends or stock repurchases by us or by the holding company may be an unsafe or unsound practice.

Parity Regulation

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

Transactions with Affiliates and Insiders

Transactions between our subsidiaries, or between the Corporation and our subsidiaries, 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 the 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, Meridian is expected to commit resources to support the 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 Meridian makes to the Bank are subordinate in right of payment to depositors and to certain other indebtedness of the Bank. In the event of our bankruptcy, any commitment by us to a federal banking regulatory agency to maintain the capital of the Bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Regulatory Capital Requirements

The Federal Reserve monitors the capital adequacy of the holding company on a consolidated basis, and the FDIC and the PDBS monitor the capital adequacy of the Bank. The banking regulators use a combination of risk-based guidelines and a leverage ratio to evaluate capital adequacy. The risk-based capital guidelines applicable to us are based on the Basel Committee's December 2010 final capital framework, known as Basel III, as implemented by the federal banking regulators. The risk-based guidelines are intended to make regulatory capital requirements sensitive to differences in credit and market risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets.

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 Capital Rules 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, 2016 and was phased in over a four-year period, until it became fully implemented 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.

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 the Bank, were able to make a one-time permanent election to continue to exclude these items. The 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.

Community banks have long raised concerns with bank regulators about the regulatory burden, complexity, and costs associated with certain provisions of the Basel III Rule. In response, Congress provided an “off-ramp” for institutions, like us, with total consolidated assets of less than $10 billion. Section 201 of the Regulatory Relief Act instructed the federal banking regulators to establish a single "Community Bank Leverage Ratio" (“CBLR”) of between 8 and 10%. Under the final rule, a community banking organization is eligible to elect the new framework if it has: less than $10 billion in total consolidated assets, limited amounts of certain assets and off-balance sheet exposures, and a CBLR greater than 9%.The bank regulatory agencies temporarily lowered the CBLR to 8% as a result of the COVID-19 pandemic. During the first quarter of 2020, the Bank adopted the community bank leverage ratio framework as its primary regulatory capital ratio.

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” below.

Prompt Corrective Action Framework

The Federal Deposit Insurance Act, as amended (“FDIA”), requires among other things, that the federal banking agencies take “prompt corrective action” with respect to banks that do not meet minimum capital requirements. The FDIA sets forth the following five capital tiers for purposes of implementing the PCA regulations: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” and “critically undercapitalized.”

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.

Safety and Soundness Standards

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

Deposit Insurance

FDIC insurance assessments

As an FDIC-insured bank, the Bank 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, the Bank'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 the 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 December 2018, the FDIC announced that the DIF reserve ratio had surpassed this benchmark.

The FDIC adopted a final rule effective June 26, 2020, and applied as of April 1, 2020, to mitigate the effect on deposit insurance assessments of a bank's participation in the Paycheck Protection Program, the Paycheck Protection Program Liquidity Facility and the Money Market Mutual Fund Liquidity Facility in connection with the COVID-19 pandemic.

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.

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 subrogate 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.

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

The Bank is a member of the Federal Home Loan Bank of Pittsburgh ("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 the 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 2020 that was as of February 11, 2020.

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

The USA PATRIOT Act of 2001, which was enacted in the wake of the September 11, 2001 attacks, includes provisions designed to combat international money laundering and advance the U.S. government's war against terrorism. The USA PATRIOT Act and the regulations which implement it contain many obligations which must be satisfied by financial institutions, including the Bank. Those regulations impose obligations on financial institutions, such as the Bank, to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. The failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the financial institution.

Office of Foreign Assets Control Regulation

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

Incentive Compensation

The Federal Reserve will review, as part of the regular, risk-focused examination process, 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.

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 the 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 cyberattack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyberattack. If we fail to observe the regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ an in-depth, layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. We employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of our defensive measures, the threat from cyberattacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date, we have not experienced a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, our systems and those of our customers and third party service providers are under constant threat and it is possible that we could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers.

Future Legislation and Regulation

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

Item 1A. Risk Factors

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

Risks Related to Our Business / Operations

Our business and operations may be materially adversely affected by national and local market economic conditions.

Our business and operations, which primarily consist of banking and wealth management activities, including lending money to customers in the form of loans and borrowing money from customers in the form of deposits, are sensitive to general business and economic conditions in the United States generally, and in our local markets in particular. If economic conditions in the United States or any of our local markets weaken, our growth and profitability from our operations could be constrained. The current economic environment is characterized by interest rates near historically low levels, which impacts our ability to attract deposits and to generate attractive earnings through our loan and investment portfolios. All of these factors can individually or in the aggregate be detrimental to our business, and the interplay between these factors can be complex and unpredictable. 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 delinquencies, defaults and charge-offs, additional provisions for loan losses, a decline in the value of our collateral, and an overall material adverse effect on the quality of our loan portfolio.

The economic conditions in our local markets may be different from the economic conditions in the United States as a whole. Our success depends to a certain extent on the general economic conditions of the geographic markets that we serve in Pennsylvania, New Jersey, Delaware and Maryland. Local economic conditions in these areas have a significant impact on our commercial, real estate and construction loans, the ability of borrowers to repay these loans and the value of the collateral securing these loans. Adverse changes in the economic conditions of the northeastern United States in general or any one or more of these local markets could negatively impact the financial results of our banking operations and have a negative effect on our profitability.

We May Be Adversely Impacted By The Transition From LIBOR As A Reference Rate

In 2017, the United Kingdom's Financial Conduct Authority announced that after 2021 it would no longer compel banks to submit the rates required to calculate the London Interbank Offered Rate ("LIBOR"). In November 2020, the administrator of LIBOR announced it will consult on its intention to extend the retirement date of certain offered rates whereby the publication of the one week and two month LIBOR offered rates will cease after December 31, 2021; but, the publication of the remaining LIBOR offered rates will continue until June 30, 2023. Given consumer protection, litigation, and reputation risks, the bank regulatory agencies have indicated that entering into new contracts that use LIBOR as a reference rate after December 31, 2021, would create safety and soundness risks and that they will examine bank practices accordingly. Therefore, the agencies encouraged banks to cease entering into new contracts that use LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021.

It is not possible to predict what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may be on the markets for LIBOR-indexed financial instruments. In particular, regulators, industry groups and certain committees (e.g., the Alternative Reference Rates Committee) have, among other things, published recommended fall-back language for LIBOR-linked financial instruments, identified recommended alternatives for certain LIBOR rates (e.g., AMERIBOR or the Secured Overnight Financing Rate as the recommended alternative to U.S. Dollar LIBOR), and proposed implementations of the recommended alternatives in floating rate instruments. At this time, it is not possible to predict whether these specific recommendations and proposals will be broadly accepted, whether they will continue to evolve, and what the effect of their implementation may be on the markets for floating-rate financial instruments.

We do not have a significant number of loans, derivative contracts, borrowings and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR could result in added costs and employee efforts and could present additional risk. Since proposed alternative rates are calculated differently, payments under contracts referencing new rates will differ from those referencing LIBOR. The transition will change our market risk profiles, requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Furthermore, failure to adequately manage this transition process with our customers could adversely impact our reputation. Although we are currently unable to assess what the ultimate impact of the transition from LIBOR will be, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations.

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

As of December 31, 2020, we owned $131.1 million of investment securities, which consisted primarily of our positions in U.S. government and government-sponsored enterprises and federal agency obligations, mortgage and asset-backed securities and municipal securities. We evaluate our investment securities on at least a quarterly basis, and more frequently when economic and market conditions warrant such an evaluation, to determine whether any decline in fair value below amortized cost is the result of an other-than-temporary impairment. The process for determining whether impairment is other-than-temporary usually requires complex, subjective judgments about the future financial performance of the issuer in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers, we may be required to recognize other-than-temporary impairment in future periods, which could adversely affect our business, results of operations or financial condition.

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

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

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

We may be adversely affected by risks associated with completed and potential acquisitions.

We evaluate opportunities to acquire and invest in banks and in other complementary businesses. As a result, we may engage in negotiations or discussions that, if they were to result in a transaction, could have a material effect on our operating results and financial condition, including short and long-term liquidity and capital structure. Our acquisition activities could be material to us. For example, we could issue additional shares of common stock in a merger transaction, which could dilute current shareholders' ownership interest. An acquisition could require us to use a substantial amount of cash, other liquid assets, and/or incur debt.

Our acquisition activities could involve a number of additional risks, including the risks of:

- Incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions;
- Using inaccurate estimates and judgments to evaluate credit, operations, management, and market risks with respect to the target institution or its assets;
- The time and expense required to integrate the operations and personnel of the combined businesses;
- Creating an adverse short-term effect on our results of operations;
- Failing to realize related revenue synergies and/or cost savings within expected time frames; and
- Losing key employees and customers or a reduction in our stock price as a result of an acquisition that is poorly

We may not be successful in overcoming these risks or any other problems encountered in connection with potential acquisitions. Our inability to overcome these risks could have an adverse effect on our ability to achieve our business strategy and could have an adverse effect on our financial condition and results of operations.

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 stable source of funds. This loss would require us to seek other funding alternatives, including wholesale funding, in order to continue to grow, thereby potentially 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. Additional liquidity is provided by brokered certificates of deposits and we have the ability to borrow from the Federal Reserve Bank of Philadelphia and the FHLB. We also may borrow from correspondent banks or 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.

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.

The Corporation's liquidity is dependent on dividends from the Bank.

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

Our shareholders are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. Although we currently pay quarterly dividends on our common stock, we are not required to do so and may reduce or eliminate our common stock dividend in the future. Our ability to pay dividends to our shareholders is subject to the restrictions set forth in Pennsylvania law, by the Federal Reserve, and depends on, among other things, our results of operations, financial condition, debt service requirements, other cash needs and any other factors our Board of Directors deems relevant. Notification to the Federal Reserve is also required prior to our declaring and paying a cash dividend to our shareholders during any period in which our quarterly and/or cumulative twelve-month net earnings are insufficient to fund the dividend amount, among other requirements. We may not pay a dividend if the Federal Reserve objects or until such time as we receive approval from the Federal Reserve or we no longer need to provide notice under applicable regulations. In addition, we may be restricted by applicable law or regulation or actions taken by our regulators, now or in the future, from paying dividends to our shareholders. We cannot provide assurance that we will continue paying dividends on our common stock at current levels or at all. A reduction or discontinuance of dividends on our common stock could have a material adverse effect on our business, including the market price of our common stock.

Loss of deposits could increase our funding costs.

As do many banking companies, we rely on customer deposits to meet a considerable portion of our funding needs, and we continue to seek customer deposits to maintain this funding base. We accept deposits directly from consumer and commercial customers and, as of December 31, 2020, we had $1.2 billion 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 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.

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 loans and deposits 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.

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. 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. 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.

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

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

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

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

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

We are dependent for the majority of our technology, including our core operating system, on third-party providers. If these companies were to discontinue providing services to us, we may experience significant disruption to our business. In addition, each of these third parties faces the risk of cyber attack, information breach or loss, or technology failure. If any of our third-party service providers experience such difficulties, or if there is any other disruption in our relationships with them, we may be required to find alternative sources of such services. We are dependent on these third-party providers securing their information systems, over which we have limited control, and a breach of their information systems could adversely affect our ability to process transactions, service our clients or manage our exposure to risk and could result in the disclosure of sensitive, personal customer information, which could have a material adverse impact on our business through damage to our reputation, loss of business, remedial costs, additional regulatory scrutiny or exposure to civil litigation and possible financial liability. Assurance cannot be provided that we could negotiate terms with alternative service sources that are as favorable or could obtain services with similar functionality as found in existing systems without the need to expend substantial resources, if at all, thereby resulting in a material adverse impact on our business and 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, on our ability to effectively embrace technology to better serve customers and reduce costs. The Corporation may be required to expand additional resources to employ the latest technologies. Failure to keep pace with technological change could potentially have an adverse effect on our business operations and financial condition and results of operations.

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

We are dependent on the ability and experience of a number of key management personnel who have substantial experience with the markets in which we offer products and services, the financial services industry, and our operations. The loss of one or more senior executives or key managers may have an adverse effect on our businesses. We maintain change in control agreements with certain executive officers to aid in our retention of these individuals. Our success depends on our ability to continue to attract, manage, and retain other qualified management personnel.

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.

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

The banking and financial services industry in our market area is highly competitive. We may not be able to compete effectively in our markets, which could adversely affect our results of operations. The increasingly competitive environment is a result of changes in regulation, advances in technology and product delivery systems, and consolidation among financial service providers. Larger institutions have greater resources and access to capital markets, with higher lending limits, more advanced technology and broader suites of services. Competition at times requires increases in deposit rates and decreases in loan rates, and adversely impact our net interest margin.

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

We rely, in part, on the reputation of the Bank to attract customers and retain our customer relationships. Damage to our reputation could undermine the confidence of our current and potential customers in our ability to provide high-quality financial services. Such damage could also impair the confidence of our counterparties and vendors and ultimately affect our ability to effect transactions. Maintenance of our reputation depends not only on our success in maintaining our service-focused culture and controlling and mitigating the various risks described in this Annual Report on Form 10-K, but also on our success in identifying and appropriately addressing issues that may arise in areas such as potential conflicts of interest, anti-money laundering, customer personal information and privacy issues, customer and other third party fraud, record-keeping, regulatory investigations and any litigation that may arise from the failure or perceived failure of us to comply with legal and regulatory requirements. Maintaining our reputation also depends on our ability to successfully prevent third parties from infringing on the “Meridian” 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.

Accounting standards periodically change and the application of our accounting policies and methods may require management to make estimates about matters that are uncertain.

The regulatory bodies that establish accounting standards, including, among others, the Financial Accounting Standards Board ("FASB") and the SEC, periodically revise or issue new financial accounting and reporting standards that govern the preparation of our consolidated financial statements. The effect of such revised or new standards on our financial statements can be difficult to predict and can materially impact how we record and report our financial condition and results of operations.

In addition, management must exercise judgment in appropriately applying many of our accounting policies and methods so they comply with generally accepted accounting principles. In some cases, management may have to select a particular accounting policy or method from two or more alternatives. In some cases, the accounting policy or method chosen might be reasonable under the circumstances and yet might result in our reporting materially different amounts than would have been reported if we had selected a different policy or method. Accounting policies are critical to fairly presenting our financial condition and results of operations and may require management to make difficult, subjective or complex judgments about matters that are uncertain.

The Corporation's controls and procedures may fail or be circumvented.

Our management diligently reviews and updates the Corporation's internal controls over financial reporting, disclosure controls and procedures, and corporate governance policies and procedures. Any failure or undetected circumvention of these controls could have a material adverse impact on our financial condition and results of operations.

Risks Related to COVID-19

Our business, financial condition, liquidity and results of operations have been, and will likely continue to be, adversely affected by the COVID-19 pandemic.

The COVID-19 pandemic is creating extensive disruptions to the global economy and to the lives of individuals throughout the world. Governments, businesses, and the public are taking unprecedented actions to contain the spread of COVID-19 and to mitigate its effects, including quarantines, travel bans, shelter-in-place orders, closures of businesses and schools, fiscal stimulus, and legislation designed to deliver monetary aid and other relief. While the scope, duration, and full effects of COVID-19 are rapidly evolving and not fully known, the pandemic and related efforts to contain it have disrupted global economic activity, adversely affected the functioning of financial markets, impacted interest rates, increased economic and market uncertainty, and disrupted trade and supply chains. If these effects continue for a prolonged period or result in sustained economic stress or recession, many of the risk factors identified in our Form 10-K could be exacerbated and such effects could have a material adverse impact on us in a number of ways related to credit, collateral, customer demand, funding, operations, interest rate risk, and human capital, as described previously.

Any disruption to our ability to deliver financial products or services to, or interact with, our clients and customers could result in losses or increased operational costs, regulatory fines, penalties and other sanctions, or harm our reputation.

We face an increased risk of litigation and governmental, regulatory and third-party scrutiny as a result of the effects of COVID-19 on market and economic conditions and actions governmental authorities take in response to those conditions. Furthermore, various governmental programs such as the PPP are complex and our participation may lead to additional litigation and governmental, regulatory and third-party scrutiny, negative publicity and damage to our reputation.

Risks Related to Lending Activities

We must effectively manage the credit risks of our loan portfolio.

Our business depends on the creditworthiness of our customers. There are risks inherent in making loans, including risks of nonpayment, risks resulting from uncertainties of the future value of collateral, and risks resulting from changes in economic and industry conditions. We attempt to reduce our credit risk through prudent loan application, underwriting and approval procedures, including internal loan reviews before and after proceeds have been disbursed, careful monitoring of the concentration of our loans within specific industries, and collateral and guarantee requirements. These procedures cannot, however, be expected to completely eliminate our credit risks, and we can make no guarantees concerning the strength of our loan portfolio.

Our allowance for loan and lease losses may be insufficient, and an increase in the allowance would reduce earnings.

We maintain an allowance for loan and lease losses at a level we believe adequate to absorb probable losses inherent in our existing loan portfolio. The level of the allowance reflects management's continuing evaluation of industry concentrations; specific credit risks; credit loss experience; current loan portfolio quality; present economic, political and regulatory conditions; and unidentified losses inherent in the current loan portfolio.

Determination of the allowance is inherently subjective as it requires significant estimates and management's judgment of credit risks and future trends, all of which may undergo material changes. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review our allowance and may require an increase in the provision for loan losses or the recognition of additional loan charge-offs, based on judgments different from those of management. Also, if charge-offs in future periods exceed the allowance for loan losses, we will need additional provisions to increase the allowance. Any increases in provisions will result in a decrease in net income and capital and may have a material adverse effect on our financial condition and results of operations.

In addition, in June 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-13 (Topic 326 - Credit Losses), commonly referenced as the Current Expected Credit Loss ("CECL"). This standard will replace the current approach under GAAP for establishing allowances for loan and lease losses (the "Allowance"), 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 as of January 1, 2023.

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

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

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

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

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

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

Our ability to originate and sell mortgage loans readily is dependent upon the availability of an active secondary market for single-family mortgage loans, which in turn depends in part upon the continuation of programs currently offered by government-sponsored entities ("GSEs") and other institutional and non-institutional investors. These entities account for a substantial portion of the secondary market in residential mortgage loans. We are highly dependent on these purchasers continuing their mortgage purchasing programs. Additionally, because the largest participants in the secondary market are Ginnie Mae, Fannie Mae and Freddie Mac, GSEs whose activities are governed by federal law, any future changes in laws that significantly affect the activity of these GSEs could, in turn, adversely affect our operations. Since September 2008 Fannie Mae and Freddie Mac have been operating in a conservatorship setup by the U.S. government as a response to the financial crisis of 2008. The Federal Housing Finance Agency ("FHFA") continues to carry out its responsibilities as conservator.

Our loan servicing rights could become impaired, which may require us to take non-cash charges.

Because we retain the servicing rights on many loans we sell in the secondary market, we are required to record mortgage servicing right assets and SBA servicing right assets, which we test quarterly for impairment. The values of these servicing rights are heavily dependent on market interest rates and tends to increase with rising interest rates and decrease with falling interest rates. If we are required to record an impairment charge, it would adversely affect our financial condition and results of operations.

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 substantially 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.

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

In the course of our business, we may foreclose and take title to real estate and could be subject to environmental liabilities with respect to these properties. The Corporation may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or the release of hazardous or toxic substances at a property. Our policies and procedures require environmental factors to be considered during the loan application process. An environmental review is performed before initiating any commercial foreclosure action; however, these reviews may not be sufficient to detect all potential environmental hazards. Possible remediation costs and liabilities could have a material adverse effect on our financial condition.

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

Many of the loans in our portfolio are secured by real estate. As of December 31, 2020, our real estate loans, excluding mortgages held for sale, include $140.2 million of construction and development loans, $65.0 million of home equity loans, $485.1 million of commercial real estate (“CRE”) loans and $52.5 million of residential mortgage loans, with the majority of these real estate loans concentrated in the southeast Pennsylvania, Delaware and southern 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 southern 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 southern 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.

Risks Related our Wealth Management Business

An economic slowdown could impact Meridian Wealth division revenues.

A general economic slowdown may cause current clients to seek alternative investment opportunities with other providers, which would decrease the value of Meridian Wealth’s assets under management resulting in lower fee income to the Corporation.

A significant decrease in Meridian Wealth’s assets under management could also lead to impairment of the goodwill recorded upon the acquisition of HJ Wealth in 2017. Goodwill is initially recorded at fair value and is not amortized, but is reviewed at least annually or more frequently if events or changes in circumstances indicate that the carrying value may not be fully recoverable. If our estimates of goodwill fair value change, we may determine that impairment charges are necessary. Estimates of fair value are determined based on a complex model using cash flows and company comparisons. If management’s estimates of future cash flows are inaccurate, the fair value determined could be inaccurate and impairment may not be recognized in a timely manner.

Risks Related to Interest Rates

Fluctuations in market interest rates, particularly in a continuing period of low market interest rates, and relative balances of rate-sensitive assets to rate-sensitive liabilities, can negatively impact net interest margin and net interest income.

Our results of operations are largely dependent on net interest income, which is the difference between the interest and fees earned on interest-earning assets and the interest paid on interest-bearing liabilities. Therefore, any change in general market interest rates, including changes resulting from the Federal Reserve Board’s policies, can have a significant effect on our net interest income and total income. There may be mismatches between the maturity and repricing of our assets and liabilities that could cause the net interest rate spread to compress, depending on the level and type of changes in the interest rate environment. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and the policies of various governmental agencies. In addition, some of our customers often have the ability to prepay loans or redeem deposits with either no penalties or penalties that are insufficient to compensate us for the lost income. A significant reduction in our net interest income will adversely affect our business and results of operations. If we are unable to manage interest rate risk effectively, our business, financial condition and results of operations could be materially harmed.

Changes in interest rates might also impact the values of equity and debt securities under management and administration by the Meridian Wealth which may have a negative impact on fee income.

Like all financial institutions, the Corporation's consolidated statement of financial condition is affected by fluctuations in interest rates. See the section entitled “Interest Rate Risk” in Management’s Discussion and Analysis of Financial Condition, for the Corporation’s position on interest earning assets and interest bearing liabilities.

Risks Related to Regulation

Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and/or increase our costs of operations.

We are subject to extensive regulation, supervision, and examination by our primary federal regulators, the Pennsylvania Department of Banking and Securities and the Federal Reserve Bank of Philadelphia, and by the FDIC, the regulating authority that insures customer deposits. Also, as a member of the FHLB, the Bank must comply with applicable regulations of the Federal Housing Finance Agency and the FHLB. Regulation by these agencies is intended primarily for the protection of our depositors and the deposit insurance fund and not for the benefit of our shareholders. The Bank's activities are also regulated under consumer protection laws applicable to our lending, deposit, and other activities. A large claim against the Bank under these laws or an enforcement action by our regulators could have a material adverse effect on our financial condition and results of operations. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the ability to impose restrictions on our operations, comments on the classification of our assets, and determine the level of our allowance for credit losses. These regulations, along with the currently existing tax, accounting, securities, deposit insurance and monetary laws, rules, standards, policies, and interpretations, control the ways financial institutions conduct business, implement strategic initiatives, and prepare financial reporting and disclosures. Changes in such regulation and oversight, whether in the form of regulatory policy, new regulations, legislation or supervisory action, may have a material impact on our operations. Further, compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.

We cannot predict the effect of legislative and regulatory initiatives, which could increase our costs of doing business and adversely affect our results of operations and financial condition.

Changes to statutes, regulations, regulatory or accounting policies could affect the Corporation in substantial and unpredictable ways. Such changes could subject the Corporation to additional costs, limit the types of financial services and products the Corporation may offer, limit the fees we may charge, increase the ability of non-banks to offer competing financial services and products, change regulatory capital requirements or the required size of our allowance for loan losses and change deposit insurance assessments, any of which would negatively impact our financial condition and result of operations. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on the Corporation's 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.

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.

General Risk Factors

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

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;
- 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.

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

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

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

Provisions of federal banking laws, including regulatory approval requirements, could make it difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. Acquisition of 10% or more of any class of voting stock of a bank holding company or depository institution, generally creates a rebuttable presumption that the acquirer "controls" the bank holding company or depository institution. Also, a bank holding company must obtain the prior approval of the Federal Reserve before, among other things, acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank, including the Bank.

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Corporation is headquartered in Malvern, Pennsylvania and has six full-service branches. Its main branch, in Paoli, serves the Main Line. The West Chester and Media branches serve Chester and Delaware counties, respectively, while the Doylestown and Blue Bell branches serve Bucks and Montgomery counties, respectively. In addition to our deposit taking branches, there are currently 17 other offices, including headquarters for Corporate, the Wealth Division and the Mortgage Division. Other than our corporate headquarters, all of our offices are leased. The Bank had a net book value of $5.8 million for all locations at December 31, 2020.

Branch locations:

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

Other offices:

- Corporate Headquarters – 9 Old Lincoln Highway, Malvern, PA 19355
- Mortgage Headquarters – 653 Skippack Pike, Suite 200, Blue Bell, PA 19462
- Meridian Wealth Office – 653 Skippack Pike, Suite 200, Blue Bell, PA 19462
- Mortgage Loan Production Office – 1601 Concord Pike, Suite 45, Wilmington, DE 19803
- Mortgage Loan Production Office – 5301 Limestone Road, Suite 202, Wilmington, DE 19801
- Mortgage Loan Production Office – 22128 Sussex Highway, Seaford, DE 19973
- Mortgage Loan Production Office – 111 Continental Drive, Suite 406, Newark, DE 19713
- Mortgage Loan Production Office – 5001 Louise Drive, Suite 101, Mechanicsburg, PA 17055
- Mortgage Loan Production Office – 350 Highland Drive, Suite 160, Mountville, PA 17554
- Mortgage Loan Production Office – 2330 New Road, Northfield, NJ 08225
- Mortgage Loan Production Office – 1221 College Park Drive, Suite 118, Dover, DE 19904
- Mortgage Loan Production Office – 8894 Stanford Boulevard, #203, Columbia, MD 21045
- Mortgage Loan Production Office – 2448 Holly Avenue, Ste. 100, Annapolis, MD 21401
- Mortgage Loan Production Office – 10101 Philadelphia Road, 2nd Fl., Baltimore, MD 21237
- Mortgage Loan Production Office – 22 W. Pennsylvania Avenue, Towson, MD 21204
- Mortgage Loan Production Office – 2028 E. Joppa Road, 2nd Fl., Baltimore, MD 21234
- Mortgage Loan Production Office – 15722 Crabbs Branch Way, Ste. 2D, Rockville, MD 20855
- Mortgage Loan Production Office – 2809 Boston Street, Ste. 505, Baltimore, MD 21224

Item 3. Legal Proceedings

On November 21, 2017, three former employees of the mortgage-banking division of the Bank filed suit in the United States District Court for the Eastern District of Pennsylvania, *Juan Jordan et al. v. Meridian Bank, Thomas Campbell and Christopher Annas*, against the Bank purporting to be a class and collective action seeking unpaid and overtime wages under the Fair Labor Standards Act of 1938, the New Jersey Wage and Hour Law, and the Pennsylvania Minimum Wage Act of 1968 on behalf of similarly situated plaintiffs. In September 2019, plaintiffs' counsel and the Bank agreed to move forward with non-binding mediation. Although the Bank believed it had strong and meritorious defenses, given the expense and inconvenience of litigation, on July 24, 2019 through mediation, the Bank reached an agreement in principle with the plaintiffs to settle this litigation for $990 thousand in total. The Bank had a litigation reserve of $990 thousand at December 31, 2019. The parties submitted a negotiated settlement agreement to the court, and received final court approval on December 19, 2019. On February 29, 2020 the Bank made a payment of $1.0 million in final settlement of this matter, which included additional minor expenses.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Shares of our common stock trade on the NASDAQ Global Select Market under the symbol "MRBK". As of March 25, 2021, there were approximately 196 registered shareholders of the Corporation's common stock. Certain shares are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

Share Repurchases

The was no repurchasing activity of the Corporation during the fourth quarter of 2020.

Dividend Policy

In 2020 the Corporation commenced quarterly cash dividends on its common stock. The Board of Directors declared a quarterly cash dividend of $0.125 per common share, payable August 24, 2020, to shareholders of record as of August 10, 2020. On October 22, 2020, 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. On January 28, 2021, the Board of Directors declared a quarterly cash dividend of $0.125 per common share, payable February 22, 2021, to shareholders of record as of February 8, 2021.

Special Dividend

On February 16, 2021, the Corporation's Board of Directors declared a special dividend of $1.00 per share on its Common Stock, payable on March 15, 2021 to shareholders of record as of March 1, 2021.

Future dividend payments will depend upon maintenance of a strong financial condition, future earnings and capital and regulatory requirements. Also, the Corporation and the Bank are subject to restrictions on the amount of dividends that may be paid without approval of banking regulatory authorities.

Item 6. Selected Financial Data

Selected historical consolidated financial information

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

(Dollars in thousands, except per share data)	As of and for the Years Ended December 31, 2020	2019	2018	2017	2016
Selected period End Balance Sheet Data:					
Cash and cash equivalents	$ 36,744	39,371	23,952	35,506	18,872
Investment securities	130,072	67,636	63,169	52,867	47,552
Loans receivable, gross	1,284,764	964,710	838,106	694,637	604,291
Loans held for sale	229,199	33,704	37,695	35,024	39,573
Allowance for loans losses	(17,767)	(9,513)	(8,053)	(6,709)	(5,425)
Goodwill and intangible assets, net	4,500	4,773	5,046	5,495	—
Total assets	1,720,197	1,150,019	997,480	856,035	733,693
Interest-bearing deposits	1,037,492	711,718	625,980	526,655	431,034
Total deposits	1,241,335	851,168	752,130	627,109	527,136
Total liabilities	1,578,575	1,029,324	887,928	754,672	663,730
Total Stockholders' equity	141,622	120,695	109,552	101,363	69,963
Selected Income Statement Data:					
Interest income	$ 62,656	52,863	44,064	35,720	30,980
Interest expense	13,660	16,527	11,407	6,782	5,192
Net interest income	48,996	36,336	32,657	28,938	25,788
Provisions for loan losses	8,302	901	1,577	2,161	1,198
Net interest income after provisions for loan losses	40,694	35,435	31,080	26,777	24,590
Non-interest income	86,918	32,893	32,355	36,700	42,844
Non-interest expense	93,076	54,814	52,945	57,691	59,913
Net income before income taxes	34,536	13,514	10,490	5,786	7,521
Income tax expense (benefit)	8,098	3,033	2,327	2,754	2,599
Net income	26,438	10,481	8,163	3,032	4,922
Preferred stock dividends and net accretion	—	—	—	(1,167)	(1,156)
Net income available to common stockholders	26,438	10,481	8,163	1,865	3,767
Selected Per Share Data:					
Earnings per common share, basic	$ 4.32	1.64	1.28	0.50	1.12
Earnings per common share, diluted	$ 4.27	1.63	1.27	0.49	1.11
Book value per common share	$ 23.08	18.84	17.10	15.86	15.50
Tangible book value per share(1)	$ 22.35	18.09	16.31	15.00	15.50
Weighted average common shares outstanding, basic	6,122	6,407	6,397	3,743	3,362
Weighted average common shares outstanding, diluted	6,187	6,438	6,427	3,770	3,389
Shares outstanding at the end of period	6,136	6,405	6,407	6,392	3,685
Selected Performance Metrics:					
Return on average assets (ROAA)	1.78%	1.01%	0.90%	0.39%	0.71%
Return on average equity (ROAE)	21.33%	9.09%	7.77%	3.97%	7.69%
Net interest spread	3.17%	3.21%	3.44%	3.69%	3.67%
Net interest margin (NIM)	3.40%	3.65%	3.80%	3.93%	3.87%
Efficiency ratio	68.48%	79.18%	81.44%	87.78%	87.30%
Noninterest income to average assets	5.85%	3.17%	3.62%	4.69%	6.21%
Noninterest expense to average assets	6.26%	5.29%	5.87%	7.41%	8.68%
Yield on interest-earning assets	4.35%	5.30%	5.14%	4.83%	4.62%
Cost of interest-bearing liabilities	1.18%	2.10%	1.69%	1.16%	0.95%
Yield on loans	4.59%	5.51%	5.35%	5.10%	4.89%
Cost of deposits	1.07%	1.97%	1.54%	0.95%	0.77%
Selected Credit Quality Ratios:					
Nonperforming assets to total assets	0.46%	0.29%	0.39%	0.42%	0.73%
Nonperforming loans to total loans	0.62%	0.34%	0.45%	0.43%	0.83%
Allowance for loan losses to nonperforming loans	224.04%	294.12%	204.85%	212.51%	101.90%
Allowance for loan losses to total loans	1.38%	0.99%	0.96%	0.92%	0.84%
Allowance for loan losses to total loans held-for-investment (excluding loans at fair value and PPP loans) (1)	1.65%	1.00%	1.01%	0.96%	0.90%
Net charge-offs to average loans	0.00%	(0.06)%	0.03%	0.13%	0.17%
Corporation Capital Ratios:					
Tier 1 leverage capital ratio	8.96%	10.55%	11.16%	12.37%	9.67%
Tier 1 risk-based capital ratio	10.22%	11.21%	11.72%	12.86%	10.62%
Total risk-based capital ratio	14.55%	16.10%	13.66%	15.53%	13.51%
Common equity tier 1 capital ratio	10.22%	11.21%	11.72%	12.86%	8.68%

(1) Refer to Non-GAAP Financial Measures section below

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

Recent Market Conditions

Our financial condition and performance, as well as the ability of our borrowers to repay their loans, the value of collateral securing those loans, as well as demand for loans and other products and services that we offer, are all highly dependent on the business environment in the primary markets in which we operate and in the United States as a whole. As discussed further in Part I, Item 1, during the first quarter of 2020, an outbreak of a novel strain of coronavirus (COVID-19) spread around the world, including the United States. COVID-19 and its associated impacts on trade (including supply chains and export levels), travel, employee productivity and other economic activities have had, are currently having and will continue to have a destabilizing effect on financial markets and economic activity. The full extent of the impact of COVID-19 on our operational and financial performance is currently uncertain, cannot be predicted and will depend on certain developments, including, among others, the duration and spread of COVID-19, its impact on our customers, employees and vendors, and governmental, regulatory and private sector responses, which may be precautionary, to the coronavirus.

In light of the changing economic outlook as a result of COVID-19, as well as other factors, including the possibility of an oil price war in March 2020, the 10-year Treasury yield had fallen to historic lows, and the equity markets were and continue to be significantly impacted. In response, the Federal Reserve reduced the target federal funds rate by 50 basis points on March 3, 2020, and then by an additional 100 basis points on March 15, 2020. Since the assets and liabilities of the Corporation are significantly impacted by changes in interest rates, the Corporation adjusted its deposit and loan offering rates and continues to monitor them during this crisis.

Critical Accounting Policies and Estimates

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

The JOBS Act permits us an extended transition period for complying with new or revised accounting standards affecting public companies. We have elected to take advantage of this extended transition period, which means that the financial statements included in this Annual Report, as well as any financial statements that we file in the future, will not be subject to all new or revised accounting standards generally applicable to public companies for the transition period for so long as we remain an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period under the JOBS Act. If we do so, we will prominently disclose this decision in the first periodic report filed with the SEC 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 footnote 1 of the Corporation's Consolidated Financial Statements as of and for the years ended December 31, 2020 and 2019.

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 ("Allowance") at an appropriate level based upon management's evaluation of the adequacy of general and specific loss reserves.

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

Results of operations – Years ended December 31, 2020 and 2019

Overview

Our reported net income for the year ended December 31, 2020, was $26.4 million or $4.27 per diluted common share compared to $10.5 million or $1.63 per diluted common share for the same period in 2019. The increase was driven by growth in earning assets, which contributed $9.8 million in increased interest income, as well as growth in non-interest fee producing divisions such as mortgage, wealth and SBA. The increase in net income was also driven by a $2.9 million decrease in interest expense, while the provision for loan losses increased $7.4 million. Total net non-interest income (non-interest income less non-interest expense) improved $15.8 million.

Net interest income

Our earnings are derived from net interest income, which is our interest income less interest expense. Changes in our balance sheet composition, including interest-earning assets, deposits, and borrowings, combined with changes in market interest rates, impact our net interest income. Net interest margin is net interest income divided by average interest-earning assets. We manage our interest-earning assets and funding sources, including non-interest and interest-bearing liabilities, in order to maximize this margin. Net interest income on a tax equivalent yield basis ("TEY") increased by $12.8 million, or 35.1%, to $49.2 million for the year ended December 31, 2020 from $36.4 million for the same period in 2019. Our net interest margin was 3.40% on a TEY for the year ended December 31, 2020 as compared to 3.65% for the same period in 2019. The decrease in net interest margin, year-over-year, reflects the declining yield on certain interest earnings assets, somewhat offset by the declining cost of funds.

Average balance sheet, interest and yield/rate analysis.

The following table presents average balance sheet information, interest income, interest expense and the corresponding average yield earned, on a tax equivalent basis, and rates paid for the years ended December 31, 2020 and 2019. The average balances are principally daily averages and, for loans, include both performing and nonperforming loans.

	2020			2019		
For the Year Ended December 31, *(dollars in thousands)*	**Average Balance**	**Interest Income/ Expense**	**Yields/ rates**	**Average Balance**	**Interest Income/ Expense**	**Yields/ rates**
Assets						
Interest-earning assets						
Due from banks	$ 9,351	31	0.33%	$ 6,429	140	2.17%
Federal funds sold	17,795	38	0.21%	930	24	2.64%
Investment securities[(1)]	102,285	2,408	2.35%	62,900	1,642	2.61%
Loans held for sale	127,829	3,693	2.89%	28,980	1,164	4.01%
Loans held for investment[(1)]	1,187,819	56,675	4.77%	898,810	49,973	5.53%
Total loans	1,315,648	60,368	4.59%	927,790	51,137	5.51%
Total interest-earning assets	1,445,079	62,845	4.35%	998,049	52,943	5.30%
Noninterest earning assets	41,400			38,320		
Total assets	$ 1,486,479			$ 1,036,369		
Liabilities and stockholders' equity						
Interest bearing liabilities						
Interest-bearing deposits	$ 195,141	1,644	0.84%	$ 92,695	1,461	1.57%
Money market and savings deposits	428,227	3,606	0.84%	303,463	5,239	1.73%
Time deposits	312,528	4,720	1.51%	310,293	7,207	2.32%
Total deposits	935,896	9,970	1.07%	706,451	13,907	1.97%
Short-term borrowings	59,322	882	1.49%	68,059	1,696	2.49%
Long-term borrowings	119,879	421	0.35%	2,328	71	3.06%
Total Borrowings	179,201	1,303	0.73%	70,387	1,767	2.51%
Subordinated Debentures	41,010	2,387	5.73%	10,704	853	7.96%
Total interest-bearing liabilities	1,156,107	13,660	1.18%	787,542	16,527	2.10%
Non-interest bearing deposits	190,209			126,001		
Other non-interest bearing liabilities	16,240			7,570		
Total liabilities	$ 1,362,556			$ 921,113		
Total stockholders' equity	123,923			115,256		
Total stockholders' equity and liabilities	$ 1,486,479			$ 1,036,369		
Net interest income [(1)]		$ 49,185			$ 36,416	
Net interest spread [(1)]			3.17%			3.21%
Net interest margin [(1)]			3.40%			3.65%

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

Rate/Volume Analysis

During 2020, net interest income increased $12.8 million or 35.1% on a tax equivalent basis. As shown in the following Rate/Volume Analysis table, this increase was primarily attributable to volume changes. Volume related changes contributed $13.3 million towards interest income which was partially offset by unfavorable changes in rate of $567 thousand.

The favorable change in net interest income due to volume changes was driven largely from growth in total loans, which increased $387.9 million on average. This increase contributed $17.2 million to interest income. Total investment securities, cash and cash equivalents increased $59.2 million on average combined, an increase of $1 million to interest income. On the funding side, interest checking and money market accounts together rose $227.2 million on average during the year, reducing net interest income by $2.7 million. Time deposits increased $2.2 million on average year over year, causing a slightly unfavorable change of $51 thousand to net interest income. Average borrowings increased $108.8 million and had an unfavorable impact of $271 thousand on net interest income, while the increase of $30.3 million increase in average subordinated debt contributed $1.8 million unfavorably to net interest income.

The unfavorable change in net interest income due to rate changes was driven largely from the decrease in the yield on interest-earning assets which decreased net interest income $8.3 million. The unfavorable change due to cash and investments was $372 thousand. The yield on loans held for investment declined 76 basis points resulting in a $7.6 million decrease in net interest income. These unfavorable changes in net interest income were nearly offset by a reduction in the cost of funds. Most notably the decline in the cost of deposits contributed a favorable $6.7 million to net interest income as the cost of interest-bearing deposits, money market and savings deposits, and time deposits decreased 73, 89, and 81 basis points, respectively.

The following table sets forth, among other things, the extent to which changes in interest rates and changes in the average balances of interest-earning assets and interest-bearing liabilities have affected interest income and expense for the periods noted (tax-exempt yields have been adjusted to a tax equivalent basis using a 22% tax rate). For each category of interest-earning assets and interest-bearing liabilities, information is provided with respect to changes attributable to (i) changes in rate (change in rate multiplied by old volume) and (ii) changes in volume (change in volume multiplied by new rate). The net change attributable to the combined impact of rate and volume has been allocated proportionately to the change due to rate and the change due to volume.

	December 31, 2020 Compared to 2019 Change in interest due to:		
(dollars in thousands)	**Rate**	**Volume**	**Total**
Interest income:			
Due from banks	$ (154)	45	(109)
Federal funds sold	(42)	56	14
Investment securities[(1)]	(176)	942	766
Loans held for sale	(409)	2,938	2,529
Loans held for investment[(1)]	(7,556)	14,258	6,702
Total loans	(7,965)	17,196	9,231
Total interest income	$ (8,337)	18,239	9,902
Interest expense:			
Interest bearing deposits	$ (896)	1,079	183
Money market and savings deposits	(3,304)	1,671	(1,633)
Time deposits	(2,538)	51	(2,487)
Total interest bearing deposits	(6,738)	2,801	(3,937)
Short-term borrowings	(617)	(197)	(814)
Long-term borrowings	(118)	468	350
Total borrowings	(735)	271	(464)
Subordinated debentures	(297)	1,831	1,534
Total interest expense	(7,770)	4,903	(2,867)
Interest differential	$ (567)	13,336	12,769

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

Provision for loan losses

The provision for loan losses was $8.3 million for the twelve months ended December 31, 2020, compared to a $901 thousand provision for the twelve months ended December 31, 2019. The provision for the current year period was due largely to qualitative provisioning for the continued economic uncertainty as a result of the COVID-19 pandemic and overall loan portfolio growth, combined with the impact of a $1.5 million specific reserve placed on an impaired commercial loan during the third quarter of 2020.

Non-interest income

Total non-interest income for the year ended December 31, 2020 was $ 86.9 million, up $54.0 million or 164.1%, from the year ended December 31, 2019. This increase in non-interest income came primarily from our mortgage division as mortgage banking net revenue increased $50.5 million or 194.0% over the prior year period. The significant increase in the current year period came from increased levels of mortgage loan originations due to both the expansion of the division into Maryland as well as the favorable rate environment for refinance activity. Our mortgage division originated $2.4 billion in loans during the year ended December 31, 2020, an increase of $1.8 billion, or 311.0%, from the prior year period. Refinance activity represented 60% of the total residential mortgage loans originated for the year ended December 31, 2020, compared to 30% for the year ended December 31, 2019. Overall, the margin on mortgage banking activity declined 58 basis points from 2.80% for the year ended December 31, 2019 to 2.22% for the year ended December 31, 2020. The increase in the mortgage pipeline as a result of the expansion and the refinance activity generated significant positive fair value changes in derivative instruments and loans held-for-sale. These fair value changes increased non-interest income a combined $8.7 million during the year ended December 31, 2020 compared to the year ended December 31, 2019. These changes were offset by increases in net hedging losses of $8.6 million.

Wealth management revenue increased $230 thousand, or 6.3%, year-over-year due to the more favorable market conditions that existed in the year ended December 31, 2020, compared to the prior year comparable period.

Non-interest income from the sales of investments amounted to $1.3 million for the year ended December 31, 2020, an increase of $1.2 million from the prior year period. Income from the sales of SBA 7(a) loans increased $1.2 million, or 83.5%, from the prior year period, to $2.6 million. $41.1 million in SBA 7(a) loans were sold for the year ended December 31, 2020, compared to $22.4 million in loans sold for the year ended December 21, 2019. Other fee income was up $934 thousand or 57.7% for the year ended December 31, 2020, from the year ended December 31, 2019 due largely to $319 thousand in swap fee income from customer loan swaps recorded in the current year period, an increase of $144 thousand in title fee income, a $149 thousand increase in wire fee income as well as $436 thousand in mortgage fee income, respectively, as loan closing activity increased period-over-period.

	Year Ended December 31,	
(dollars in thousands)	**2020**	**2019**
Non-interest income:		
Mortgage banking income	$ 76,461	26,009
Wealth management income	3,854	3,624
SBA loan income	2,572	1,401
Earnings on investment in life insurance	279	290
Net change in the fair value of derivative instruments	4,975	111
Net change in the fair value of loans held-for-sale	3,847	(13)
Net change in the fair value of loans held-for-investment	323	391
Net loss on hedging activity	(9,400)	(816)
Net gain on sale of investment securities available-for-sale	1,345	165
Service charges	107	110
Other	2,555	1,621
Total non-interest income	$ 86,918	32,893

Non-interest expense

Total non-interest expense for the year ended December 31, 2020 was $93.1 million, up $38.3 million or 69.8%, from the year ended December 31, 2019. The increase is largely attributable to the variable expenses from loan originations overall, particularly mortgage commissions. Total salaries and employee benefits expense was $72.1 million, an increase of $37.0 million or 105.2%, compared to the year ended December 31, 2019. Of this increase, $33.2 million relates to the mortgage division. Full-time equivalent employees, particularly in the mortgage division, increased year-over-year. As noted above, in the first quarter of 2020, we expanded our mortgage division into Maryland with the hiring of nearly 90 individuals year to date. Advertising expenses increased by $377 thousand or 15.2% during the year ended December 31, 2020, due mainly to an increase in marketing related costs from the mortgage division. Professional fees increased $499 thousand or 19.1%, compared to the prior year period due largely to an increase in consulting costs incurred on several IT related projects that Meridian has undertaken to improve efficiency and automation in processes, combined with an increase in third party valuation services related to the increased mortgage division activity. Other expenses were down year over year due largely to the impacts from stay at home orders and business restrictions brought on by the COVID-19 pandemic.

(dollars in thousands)	**Year Ended December 31, 2020**	**Year Ended December 31, 2019**
Non-interest expenses:		
Salaries and employee benefits	$ 72,147	35,157
Occupancy and equipment	4,292	3,806
Professional fees	3,113	2,614
Advertising and promotion	2,852	2,475
Data processing	1,913	1,327
Information technology	1,542	1,256
Pennsylvania bank shares tax	1,049	658
Other	6,168	7,521
Total non-interest expenses	$ 93,076	54,814

Income tax expense

Income tax expense for the year ended December 31, 2020 was $8.1 million as compared to $3.0 million for the same period in 2019. The effective tax rates for the twelve-month periods ended December 31, 2020 and 2019 were 23.4% and 22.4%, respectively. For more information related to income taxes, refer to footnote 14 in the Notes to Consolidated Financial Statements.

Balance Sheet Summary

Assets

As of December 31, 2020, total assets were $1.7 billion compared with $1.2 billion as of December 31, 2019. Total assets increased $570.2 million, or 49.6%, from December 31, 2019 primarily due to strong loan growth.

Total loans, excluding mortgage loans held for sale, increased by $320.1 million, or 33.2%. Investment securities and cash and cash equivalents increased $59.8 million, or 55.4%, year-over-year. Our overall asset growth was funded largely by an increase in deposits of $390.2 million, or 45.8%, to $1.2 billion at December 31, 2020 from $851.2 million at December 31, 2019. Increases in borrowings of $145.6 million, or 114.8% year-over-year, particularly from PPPLF advances, also helped to fund the growth in our loan portfolio.

Loans

Our loan portfolio is the largest category of our interest-earning assets. As of December 31, 2020 and 2019, our total loans amounted to $1.5 billion and $1.0 billion, respectively. Our loan portfolio is comprised of loans originated to be held in portfolio, as well as residential mortgage loans originated for sale. Meridian engages in the origination of residential mortgages, most typically for 1-4 family dwellings, with the intention of the Corporation to principally sell substantially all of these loans in the secondary market to qualified investors. Our loans held in portfolio are originated by our commercial and consumer loan divisions. We have a strong credit culture that promotes diversity of lending products with a focus on commercial businesses. We have no particular credit concentration. Our commercial loans have been proactively managed in an effort to achieve a balanced portfolio with no unusual exposure to one industry.

Loans and leases outstanding at December 31, 2020 and 2019 are detailed by category as follows:

(dollars in thousands)	**2020**	**% of Portfolio**	**2019**	**% of Portfolio**
Mortgage loans held for sale	$ 229,199	15.1%	33,704	3.4%
Real estate loans:				
Commercial mortgage	485,103	31.9%	362,590	36.3%
Home equity lines and loans	64,987	4.3%	81,583	8.2%
Residential mortgage	52,454	3.5%	53,665	5.4%
Construction	140,246	9.2%	172,044	17.2%
Total real estate loans	742,790	48.9%	669,882	67.0%
Commercial and industrial	261,750	17.2%	273,301	27.3%
Small business loans	49,542	3.3%	21,616	2.2%
Paycheck Protection Program loans ("PPP")	203,543	13.4%	—	0.0%
Main Street Lending Program Loans ("MSLP")	580	0.0%	—	0.0%
Consumer	511	0.0%	1,003	0.1%
Leases, net	31,040	2.0%	697	0.1%
Total portfolio loans and leases	1,289,756	84.9%	966,499	96.6%
Total loans and leases	$ 1,518,955	100.0%	1,000,203	100.0%

Commercial and industrial loans, commercial construction loans and commercial real estate loans increased a combined $79.2 million, or 9.8%, for the year ended December 31, 2020. The growth in the commercial portfolios continues to reflect the work of our strategically expanded lending team as well as strong local market conditions.

Commercial real estate loans. Our commercial real estate loans are secured by real estate that is both owner-occupied and investor owned. Owner-occupied commercial real estate loans generally involve less risk than an investment property and are distinctly reported from non-owner occupied commercial real estate loans for measuring loan concentrations for regulatory purposes. Our owner-occupied commercial real estate loans are originated and managed within our commercial loan department and comprised 34.4% of our total commercial real estate loan portfolio at December 31, 2020. The remaining commercial real estate loans are managed by our commercial real estate department which offer the following commercial real estate products:

- Permanent – Investor Real Estate Loans
    - Purchase and refinance loan opportunities for a number of product types, including single-family rentals, multi-family residential as well as tenanted income producing properties in a variety of real estate types, including office, retail, industrial, and flex space
- Construction Loans
    - Residential construction loans to finance new construction and renovation of single and 1-4 family homes located within our market area
    - Commercial construction loans for investment properties, generally with semi-permanent attributes
    - Construction loans for new, expanded or renovated operations for our owner occupied business clients
- Land Development Loans
    - Meridian considers a limited number of strictly land development oriented loans based upon the risk, merit of the future project and strength of the borrower/guarantor relationship

Our commercial real estate loans increased by $122.5 million, or 33.8%, to $485.1 million at December 31, 2020 from $362.6 million at December 31, 2019. Our total commercial real estate loan portfolio represented 31.9% and 36.3% of our total loan portfolio at December 31, 2020 and 2019, respectively.

Commercial and Industrial Loans

We provide a variety of variable and fixed rate commercial business loans and lines of credit. These loans and lines of credit are made to small and medium-sized manufacturers and wholesale, retail and service-related businesses. Additionally, we lend to companies in the technology, healthcare, real estate and financial service industries. Commercial business loans generally include lines of credit and term loans with a maturity of five years or less. The primary source of repayment for commercial business loans is generally operating cash flows of the business and may also include collateralization of inventory, accounts receivable, equipment and/or personal guarantees. Our commercial and industrial loans decreased by $11.5 million, or 4.2%, to $261.8 million at December 31, 2020 from $273.3 million at December 31, 2019. The total commercial portfolio represented 17.2% and 27.3% of our total loan portfolio at December 31, 2020 and 2019, respectively.

Small Business Loans

We provide financing to small businesses in various industries that include guarantees under the Small Business Administrations (SBA's) loan programs. Our small business loans increased by $27.9 million, or 129.2%, to $49.5 million at December 31, 2020 from $21.6 million at December 31, 2019. The small business loans portfolio represented 3.3% and 2.2% of our total loan portfolio at December 31, 2020 and 2019, respectively.

Paycheck Protection Program Loans / Main Street Lending Program Loans

Meridian participated in the SBA's Paycheck Protection Program (PPP) loan program and the Federal Reserve's Main Street Lending Program (MSLP) to support lending to small and medium sized businesses that were impacted by the COVID-19 pandemic. At December 31, 2020 the balance of PPP loans was $203.5 million, while at December 31, 2020 the balance of MSLP loans was $580 thousand, after netting out participations. PPP loans and MSLP loans represented 13.4% and 0.0% of our total loan portfolio at December 31, 2020, respectively.

Residential loans

Our residential loans held in portfolio are primarily secured by single-family homes located in our market areas. Our loan pipeline is fed via our mortgage loan production offices ("LPOs") and through relationships with commercial lending and through relationships with sales brokers and agents who actively refer clients to Meridian. The balance of residential loans in portfolio decreased $1.2 million, or 2.3%, to $52.5 million at December 31, 2020 from $53.7 million at December 31, 2019. The total residential loan portfolio represented 3.5% and 5.4% of our total loan portfolio at December 31, 2020 and 2019, respectively.

Consumer and Personal Loans

Our consumer-lending department principally originates home equity based products for our clients and prospects. These loans typically fund completely at closing. Additional products include smaller dollar personal loans and our newly introduced student loan refinance product, designed to provide additional flexibility in repayment terms desired in the marketplace. Our consumer credit products include home equity lines and loans, personal lines and loans, and student loan refinancing. The total consumer loan portfolio represented 0.1% of our total loan portfolio at December 31, 2020 and 2019.

Investments

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

As of December 31, 2020 the fair value of our investment portfolio totaled $130.4 million, with an effective tax equivalent yield of 2.25% and an estimated duration of approximately 5.74 years. The majority of our investment portfolio, or 55.1%, consists of municipal securities, along with 19.52% in U.S. Agency asset-backed securities. The remainder of our securities portfolio is invested in 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.

	December 31, 2020			
(dollars in thousands)	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Securities available-for-sale:				
U.S. asset backed securities	$ 25,303	364	(75)	25,592
U.S. government agency mortgage-backed securities	3,854	192	—	4,046
U.S. government agency collateralized mortgage obligations	23,010	916	(17)	23,909
State and municipal securities	63,848	2,025	(63)	65,810
Corporate bonds	4,200	7	(2)	4,205
Total securities available-for-sale	$ 120,215	3,504	(157)	123,562
Securities held-to-maturity:				
State and municipal securities	6,510	347	—	6,857
Total securities held-to-maturity	$ 6,510	347	—	6,857

	December 31, 2019			
(dollars in thousands)	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Securities available-for-sale:				
U.S. asset backed securities	$ 11,967	—	(101)	11,866
U.S. government agency mortgage-backed securities	5,457	66	(26)	5,497
U.S. government agency collateralized mortgage obligations	35,096	300	(173)	35,223
State and municipal securities	6,354	—	(84)	6,270
Total securities available-for-sale	$ 58,874	366	(384)	58,856
Securities held-to-maturity:				
State and municipal securities	8,780	223	—	9,003
Total securities held-to-maturity	$ 8,780	223	—	9,003

Asset Quality Summary

Asset quality remains strong year-over-year despite the pressures that the COVD-19 pandemic has had on businesses and the economy locally and nationally. Meridian realized net charge-offs of 0.00% of total average loans for the year ended December 31, 2020, compared with net recoveries of (0.06)% for the year ended December 31, 2019. Total non-performing assets, including loans and other real estate property, were $7.9 million as of December 31, 2020, $3.4 million as of December 31, 2019.

The increase to non-performing loans from December 31, 2019 to December 31, 2020 resulted from a $2.3 million increase in nonperforming commercial mortgages, an $864 thousand increase in nonperforming commercial loans, a $1.2 million increase in residential mortgage loans, and a $322 thousand increase in home equity lines and loans.

The ratio of non-performing assets to total assets as of December 31, 2020 was 0.46% compared to 0.29% as of December 31, 2019. The ratio of allowance for loan losses to total loans, was 1.38% as of December 31, 2020, up from the 0.99% recorded as of December 31, 2019. The ratio of allowance for loan losses to total loans held for investment, excluding loans at fair value and PPP loans (a non-GAAP measure), was 1.65% as of December 31, 2020, up from the 1.00% recorded as of December 31, 2019. PPP loans are excluded from calculation of this ratio as they are guaranteed by the SBA and therefore we have not provided for in the allowance for loan losses. A reconciliation of this non-GAAP measure is included in the Non-GAAP Financial Measures section below. During 2019 one residential mortgage loan was foreclosed on and the property was recorded within other real estate owned ("OREO") in the balance sheet at the lower of cost or fair value less cost to sell of $120 thousand. There were no properties in OREO as of December 31, 2020, as the above noted property was sold during 2020 and a gain of $6 thousand was recorded on the sale.

As of December 31, 2020, the Corporation had $3.6 million of TDRs, of which $3.4 million were in compliance with the modified terms and excluded from non-performing loans and leases. As of December 31, 2019, the Corporation had $3.9 million of TDRs, of which $3.6 million were in compliance with the modified terms, and were excluded from non-performing loans and leases.

As of December 31, 2020, the Corporation had a recorded investment of $10.4 million of impaired loans and leases which included $3.6 million of TDRs. Impaired loans and leases are those for which it is probable that the Corporation will not be able to collect all scheduled principal and interest in accordance with the original terms of the loans and leases. Impaired loans and leases as of December 31, 2019 totaled $7.3 million, which included $3.9 million of TDRs. Refer to footnote 6 in the notes to the Consolidated Financial Statements for more information regarding the Corporation's impaired loans and leases.

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

	As of		
(dollars in thousands)	December 31, 2020		December 31, 2019
Non-performing assets:			
Nonaccrual loans:			
Real estate loans:			
Commercial mortgage	$	3,061	733
Home equity lines and loans		859	537
Residential mortgage		2,725	1,544
Total real estate loans	$	6,645	2,814
Commercial and industrial		1,285	421
Total nonaccrual loans	$	7,930	3,235
Other real estate owned		—	120
Total non-performing loans	$	7,930	3,235
Total non-performing assets	$	7,930	3,355
Troubled debt restructurings:			
TDRs included in non-performing loans		244	319
TDRs in compliance with modified terms		3,362	3,599
Total TDRs	$	3,606	3,918
Asset quality ratios:			
Non-performing assets to total assets		0.46%	0.29%
Non-performing loans to:			
Total loans and leases		0.52%	0.32%
Total loans held-for-investment		0.62%	0.34%
Total loans held-for-investment (excluding loans at fair value and PPP loans) (1)		0.74%	0.34%
Allowance for loan losses to:			
Total loans and leases		1.17%	0.95%
Total loans held-for-investment		1.38%	0.99%
Total loans held-for-investment (excluding loans at fair value and PPP loans) (1)		1.65%	1.00%
Non-performing loans		224.04%	294.12%
Total loans and leases	$	1,513,963	998,414
Total loans and leases held-for-investment	$	1,284,764	964,710
Total loans and leases held-for-investment (excluding loans at fair value and PPP loans)	$	1,072,727	954,164
Allowance for loan and lease losses	$	17,767	9,513

(1) The allowance for loan losses to total loans held-for-investment (excluding loans at fair value and PPP loans) ratio is a non-GAAP financial measure. See “Non-GAAP Financial Measures” above for a reconciliation of this measure to its most comparable GAAP measure. PPP loans have only been excluded from this calculation as of December 31, 2020.

Deposits and Equity

Deposits were $1.2 billion as of December 31, 2020, up $390.2 million, or 45.8%, from December 31, 2019. Non-interest bearing deposits increased $64.4 million, or 46.2%, from December 31, 2019. Interest-bearing checking accounts increased $112.2 million, or 118.8%, from December 31, 2019. Money market accounts/savings accounts increased $267.2 million, or 87.5% since December 31, 2019, driven by business money market accounts and sweep accounts. Increases in core deposits were driven from loan customers as part of new business and municipal relationships and also as a result of the PPP loan process. Certificates of deposit decreased $53.5 million, or 17.2%, from December 31, 2019, as non-term deposits were preferred by customers in this low rate environment.

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

	Year ended December 31, 2020			Year ended December 31, 2019		
(dollars in thousands)	Average amount	Weighted average rate paid	Percent of total deposits	Average amount	Weighted average rate paid	Percent of total deposits
Non-interest bearing deposits	$ 190,209	—	16.89%	$ 126,002	—	15.14%
Interest bearing deposits	623,368	0.84%	55.36%	396,158	1.69%	47.59%
Time deposits:						
Under $100,000	26,445	1.80%	2.35%	19,597	2.34%	2.35%
$100,000 and greater	286,083	1.48%	25.40%	290,696	2.32%	34.92%
Total	$ 1,126,105	1.07%	100.00%	$ 832,453	1.97%	100.00%

Consolidated stockholders' equity of the Corporation was $141.6 million, or 8.2% of total assets as of December 31, 2020, as compared to $120.7 million, or 10.50% of total assets as of December 31, 2019. The change in stockholders' equity is the result of year-to-date net income of $26.4 million and an increase in unrealized gain on AFS securities of $2.6 million, partially offset by unearned compensation due to leveraged ESOP of $2 million, net of a $212 thousand payment on the ESOP loan which released 13,328 shares to the ESOP, as well as dividends paid of $1.5 million year to date.

Non-GAAP Financial Measures

Meridian believes that non-GAAP measures are meaningful because they reflect adjustments commonly made by management, investors, regulators and analysts to evaluate performance trends and the adequacy of common equity. This non-GAAP disclosure has limitations as an analytical tool, should not be viewed as a substitute for performance and financial condition measures determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of Meridian's results as reported under GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies.

The table below provides the non-GAAP reconciliation for our tangible book value per common share for Meridian Corporation:

	2020	2019
Reconciliation of tangible book value per common share:	December 31	December 31
Book value per common shares	$ 23.08	$ 18.84
Less: Impact of goodwill and intangible assets	0.73	0.75
Tangible book value per common share	$ 22.35	$ 18.09

The following is a reconciliation of the allowance for loan losses to total loans held for investment ratio for the years ended December 31, 2020 and 2019. This is considered a non-GAAP measure as the calculation excludes the impact of loans held for investment that are fair valued and the impact of PPP loans as these loan types are not included in the allowance for loan losses calculation.

	2020	2019
Reconciliation of Allowance for Loan Losses / Total loans held for investment	**December 31**	**December 31**
Allowance for loan losses / Total loans held for investment	1.38%	0.99%
Less: Impact of loans held for investment - fair valued	0.00%	0.01%
Less: Impact of PPP loans	0.27%	—
Allowance for loan losses / Total loans held for investment (excl. loans at fair value and PPP loans)	1.65%	1.00%

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, and 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 shared national credits ("SNCs"), which have a national market and can be sold in a timely manner. Meridian's primary liquidity, which totaled $408.8 million at December 31, 2020, compared to $161.5 million at December 31, 2019, 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 its relationship at the Federal Reserve, Meridian had available credit of approximately $11.6 million at December 31, 2020. At December 31, 2020, Meridian had borrowed $10 million from the Federal Reserve under its available borrowing arrangement and $153.3 million under the Federal Reserve's PPPLF program. As a member of the FHLB, we are eligible to borrow up to a specific credit limit, which is determined by the amount of our residential mortgages, commercial mortgages and other loans that have been pledged as collateral. As of December 31, 2020, Meridian's maximum borrowing capacity with the FHLB was $638.9 million. At December 31, 2020, Meridian had borrowed $109.1 million and the FHLB had issued letters of credit, on Meridian's behalf, totaling $143 million against its available credit lines. At December 31, 2020, Meridian also had available $39 million of unsecured lines of credit with other financial institutions as well as $256.6 million of available short or long term funding through the Certificate of Deposit Account Registry Service ("CDARS") program and $182.4 million of available short or long term funding through brokered CD arrangements. Management believes that Meridian has adequate resources to meet its short-term and long-term funding requirements.

At December 31, 2020, Meridian had $421.4 million in unfunded loan commitments. Management anticipates these commitments will be funded by means of normal cash flows. Certificates of deposit greater than or equal to $250 thousand scheduled to mature in one year or less from December 31, 2020 totaled $158.7 million. Management believes that the majority of such deposits will be reinvested with Meridian and that certificates that are not renewed will be funded by a reduction in cash and cash equivalents or by pay-downs and maturities of loans and investments. At December 31, 2020, Meridian had a reserve for unfunded loan commitments of $181 thousand.

Meridian meets the definition of "well capitalized" for regulatory purposes on December 31, 2020. Our capital category is determined for the purposes of applying the bank regulators' "prompt corrective action" regulations and for determining levels of deposit insurance assessments and may not constitute an accurate representation of Meridian's overall financial condition or prospects.

Under federal banking laws and regulations, Meridian is required to maintain minimum capital as determined by certain regulatory ratios. Capital adequacy for regulatory purposes, and the capital category assigned to an institution by its regulators, may be determinative of an institution's overall financial condition. Under the final capital rules that became effective as of January 1, 2019, a capital conservation buffer is fully phased in at 2.5%.

Community banks have long raised concerns with bank regulators about the regulatory burden, complexity, and costs associated with certain provisions of the Basel III Rule. In response, Congress provided an "off-ramp" for institutions, like us, with total consolidated assets of less than $10 billion. Section 201 of the Regulatory Relief Act instructed the federal banking regulators to establish a single "Community Bank Leverage Ratio" ("CBLR") of between 8 and 10%. Under the final rule, a community banking organization is eligible to elect the new framework if it has: less than $10 billion in total consolidated assets, limited amounts of certain assets and off-balance sheet exposures, and a CBLR greater than 9%.The bank regulatory agencies temporarily lowered the CBLR to 8% as a result of the COVID-19 pandemic. During the first quarter of 2020, the Bank adopted the CBLR framework as its primary regulatory capital ratio, but reports all ratios for comparative purposes.

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

	December 31, 2020			
	Actual		To Be Well Capitalized Under CBLR Framework	
(dollars in thousands)	Amount	Ratio	Amount	Ratio
Tier 1 capital (to average assets)				
Corporation	$ 134,564	8.96%	$ 120,082	8.00%
Bank	173,231	11.54%	120,080	8.00%

	December 31, 2019					
	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions *	
(dollars in thousands):	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Corporation	$ 166,471	16.10%	$ 108,576	10.50%	$ 103,405	10.00%
Bank	166,360	16.09%	108,571	10.50%	103,401	10.00%
Common equity tier 1 capital (to risk-weighted assets)						
Corporation	115,934	11.21%	72,384	7.00%	67,214	6.50%
Bank	154,881	14.98%	72,381	7.00%	67,211	6.50%
Tier 1 capital (to risk-weighted assets)						
Corporation	115,934	11.21%	87,895	8.50%	82,724	8.00%
Bank	154,881	14.98%	87,891	8.50%	82,721	8.00%
Tier 1 capital (to average assets)						
Corporation	115,934	10.55%	43,973	4.00%	54,966	5.00%
Bank	154,881	14.08%	44,013	4.00%	55,017	5.00%

* Prompt corrective action requirements do not apply to Meridian Corporation but are included as information only

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Asset/Liability Management

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

Our board of directors has established a Board Risk Committee that, among other duties, sets broad asset and liability management policy ("ALM" policy) and directives for asset/liability management, as well as establishes review and control procedures to ensure adherence to this policy. The board of directors has delegated authority for the development and implementation of all asset and liability management policies, procedures, and strategies to the Asset/Liability Committee ("ALCO"). ALCO is comprised of various members of senior management responsible for interpreting the longer range objectives established by the board of directors. As such ALCO sets basic direction for the Corporation's sources and uses of funds, establishes numerical ranges for primary and secondary objectives, monitors risk and the delivery of services, establishes subs 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 reprices 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 reprices within a given period exceeds the amount of its interest-earning assets also within that time period. During a period of rising interest rates, a negative gap would tend to decrease net interest income, while a positive gap would tend to increase net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to decrease net interest income.

The following table presents the interest rate gap analysis of our assets and liabilities as of December 31, 2020.

As of December 31, 2020 *(dollars in thousands)*		**12 Months or Less**	**1-2 Years**	**2-5 Years**	**Greater Than 5 years and Not Rate Sensitive**	**Total**
Cash and investments	$	59,739	5,376	20,303	82,429	167,847
Loans (1)		1,041,269	199,978	226,594	10,588	1,478,429
Other Assets		—	—	—	73,921	73,921
Total Assets	$	1,101,008	205,354	246,897	166,938	1,720,197
Non-interest bearing deposits		—	—	—	—	203,843
Interest bearing deposits		779,195	—	—	—	779,195
Time deposits		197,649	41,533	19,115	—	258,296
FHLB advances		96,862	12,277	—	—	109,139
Other Liabilities		10,000	153,269	169	64,664	228,102
Total stockholders' equity		—	—	—	141,622	141,622
Total liabilities and stockholders' equity	$	1,083,706	207,079	19,284	206,286	1,720,197
Repricing gap-positive						
Positive (Negative)	$	17,302	(1,725)	227,613	(39,348)	—
Cumulative repricing gap: Dollar amount	$	17,302	15,577	243,190	—	
Percent of total assets		1.0%	0.9%	14.1%	—	

(1) Loans include portfolio loans and loans held-for-sale

Under the repricing gap analysis, we are modestly (1%) asset-sensitive for maturity/repricing 2 years or less. This reflects a shift in deposit maturities as customers show preference for shorter term products.

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 lifetime loan caps;
- Overall growth rates and product mix of interest-earning assets and interest-bearing liabilities.

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

Potential changes to our net interest income between a flat interest rate scenario and hypothetical rising and declining interest rate scenarios, measured over a one-year period as of December 31, 2020 and 2019 are presented in the following table. The simulation assumes rate shifts occur upward and downward on the yield curve in even increments over the first twelve months (ramp), followed by rates held constant thereafter.

Rate Ramp:

Changes in Market Interest Rates	Estimated increase (decrease) in Net Interest Income For the year ending December 31, 2020	2019
+300 basis points over next 12 months	1.87 %	0.40 %
+200 basis points over next 12 months	1.02 %	0.60 %
+100 basis points over next 12 months	0.50 %	0.40 %
No Change		
-100 basis points over next 12 months	(1.73)%	(0.60)%
-200 basis points over next 12 months	(5.21)%	(2.30)%

The above interest rate simulation suggests that the Corporation's balance sheet is asset sensitive as of December 31, 2020 and December 31, 2019, which will improve net interest income in a rising rate environment. The simulation projects a decrease in net interest income in a falling rate scenario.

Simulation of economic value of equity. To quantify the amount of capital required to absorb potential losses in value of our interest-earning assets and interest-bearing liabilities resulting from adverse market movements, we calculate economic value of equity on a quarterly basis. We define economic value of equity as the net present value of our balance sheet's cash flow, and we calculate economic value of equity by discounting anticipated principal and interest cash flows under the prevailing and hypothetical interest rate environments. Potential changes to our economic value of equity between a flat rate scenario and hypothetical rising and declining rate scenarios, measured as of December 31, 2020 and 2019, are presented in the following table. The projections assume shifts ramp upward and downward of the yield curve of 100, 200 and 300 basis points occurring immediately. We would note that in a downward parallel shift of the yield curve, interest rates at the short-end of the yield curve are not modeled to decline any further than to 0%.

Changes in Market Interest Rates	Estimated increase (decrease) in Net Economic Value at December 31, 2020	2019
+300 basis points	103 %	13 %
+200 basis points	78 %	11 %
+100 basis points	45 %	7 %
No Change		
-100 basis points	(67)%	(12)%
-200 basis points	(175)%	(32)%

This economic value of equity profile at December 31, 2020 suggests that we would experience a positive effect from an increase in rates, and that the impact would become greater as rates continue to rise due to the duration of our interest-earning assets and conversely we would experience a negative effect from a decrease in rates. 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 change its mix of products. Actual results could also differ from those projected if we experience substantially different repayment speeds in our loan portfolio than those assumed in the simulation model. Furthermore, the results do not take into account the impact of changes in loan prepayment rates on loan discount accretion. If prepayment rates were to increase on our loans, we would recognize any remaining loan discounts into interest income. This would result in a current period offset to declining net interest income caused by higher rate loans prepaying.

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

Item 8. Financial Statements and Supplementary Data

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

i. Consolidated Balance Sheets

ii. Consolidated Statements of Income

iii. Consolidated Statements of Comprehensive Income

iv. Consolidated Statements of Stockholders' Equity

v. Consolidated Statements of Cash Flows

vi. Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors of Meridian Corporation
Malvern, Pennsylvania

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Meridian Corporation (the "Company") as of December 31, 2020, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

/s/ Crowe LLP

We have served as the Company's auditor since 2020.

Washington, D.C.
March 29, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Meridian Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Meridian Corporation and subsidiaries (the Company) as of December 31, 2019, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

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

/s/ KPMG LLP

We have served as the Company's auditor from 2011 to 2020.

Philadelphia, Pennsylvania
March 30, 2020

Meridian Corporation and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands, except per share data)	December 31, 2020	December 31, 2019
Cash and due from banks	$ 34,190	19,106
Federal funds sold	2,554	20,265
Cash and cash equivalents	36,744	39,371
Securities available-for-sale (amortized cost of $120,215 and $58,874 as of December 31, 2020 and December 31, 2019)	123,562	58,856
Securities held-to-maturity (fair value of $6,857 and $9,003 as of December 31, 2020 and December 31, 2019)	6,510	8,780
Equity investments	1,031	1,009
Mortgage loans held for sale (amortized cost of $225,007 and $33,363 as of December 31, 2020 and December 31, 2019), at fair value	229,199	33,704
Loans, net of fees and costs (includes $12,182 and $10,546 of loans at fair value, amortized cost of $11,514 and $10,186 as of December 31, 2020 and December 31, 2019)	1,284,764	964,710
Allowance for loan and lease losses	(17,767)	(9,513)
Loans, net of the allowance for loan and lease losses	1,266,997	955,197
Restricted investment in bank stock	7,861	8,072
Bank premises and equipment, net	7,777	8,636
Bank owned life insurance	12,138	11,859
Accrued interest receivable	5,482	3,148
Other real estate owned	—	120
Deferred income taxes	62	2,115
Goodwill	899	899
Intangible assets	3,601	3,874
Other assets	18,334	14,379
Total assets	$ 1,720,197	1,150,019
Liabilities:		
Deposits:		
Non-interest bearing	$ 203,843	139,450
Interest bearing	1,037,492	711,718
Total deposits	1,241,335	851,168
Short-term borrowings	106,862	123,676
Long-term debt	165,546	3,123
Subordinated debentures	40,671	40,962
Accrued interest payable	1,154	1,088
Other liabilities	23,007	9,307
Total liabilities	1,578,575	1,029,324
Stockholders' equity:		
Common stock, $1 par value. Authorized 10,000,000 shares; issued 6,455,566 and 6,407,685 as of December 31, 2020 and December 31, 2019	6,456	6,408
Surplus	81,196	80,196
Treasury stock - 320,000 and 3,375 shares at December 31, 2020 and December 31, 2019, respectively	(5,828)	(3)
Unearned common stock held by employee stock ownership plan	(1,768)	—
Retained earnings	59,010	34,097
Accumulated other comprehensive income (loss)	2,556	(3)
Total stockholders' equity	141,622	120,695
Total liabilities and stockholders' equity	$ 1,720,197	1,150,019

The accompanying notes are an integral part of these consolidated financial statements.

Meridian Corporation and Subsidiaries

Consolidated Statements of Income

(dollars in thousands, except per share data)	Year ended December 31, 2020	2019
Interest income:		
Loans, including fees	$ 60,357	51,127
Securities:		
Taxable	1,186	1,248
Tax-exempt	1,044	324
Cash and cash equivalents	69	164
Total interest income	62,656	52,863
Interest expense:		
Deposits	9,970	13,907
Borrowings	3,690	2,620
Total interest expense	13,660	16,527
Net interest income	48,996	36,336
Provision for loan losses	8,302	901
Net interest income after provision for loan losses	40,694	35,435
Non-interest income:		
Mortgage banking income	76,461	26,009
Wealth management income	3,854	3,624
SBA loan income	2,572	1,401
Earnings on investment in life insurance	279	290
Net change in the fair value of derivative instruments	4,975	111
Net change in the fair value of loans held-for-sale	3,847	(13)
Net change in the fair value of loans held-for-investment	323	391
Net loss on hedging activity	(9,400)	(816)
Net gain on sale of investment securities available-for-sale	1,345	165
Service charges	107	110
Other	2,555	1,621
Total non-interest income	86,918	32,893
Non-interest expenses:		
Salaries and employee benefits	72,147	35,157
Occupancy and equipment	4,292	3,806
Professional fees	3,113	2,614
Advertising and promotion	2,852	2,475
Data processing	1,913	1,327
Information technology	1,542	1,256
Pennsylvania bank shares tax	1,049	658
Other	6,168	7,521
Total non-interest expenses	93,076	54,814
Income before income taxes	34,536	13,514
Income tax expense	8,098	3,033
Net income	$ 26,438	10,481
Basic earnings per common share	$ 4.32	1.64
Diluted earnings per common share	$ 4.27	1.63

The accompanying notes are an integral part of these consolidated financial statements.

Meridian Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

(dollars in thousands)	Year ended December 31, 2020	2019
Net income:	$ 26,438	10,481
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 $1,121, and $154, respectively	3,584	512
Less: reclassification adjustment for net gains on sales realized in net income, net of tax expense of ($320), and ($38), respectively	(1,025)	(125)
Unrealized investment gains, net of tax expense of $801, and $116, respectively	2,559	387
Total other comprehensive income	2,559	387
Total comprehensive income	$ 28,997	10,868

The accompanying notes are an integral part of these consolidated financial statements.

Meridian Corporation and Subsidiaries

Consolidated Statements of Stockholders' Equity

(dollars in thousands)		Common Stock	Surplus	Treasury Stock	Unearned Common Stock - ESOP	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2019	$	6,407	79,919	—	—	23,616	(390)	109,552
Comprehensive income:								
Net income						10,481		10,481
Change in unrealized gains on securities available-for-sale, net of tax							387	387
Total comprehensive income								10,868
Share-based awards and exercises		1	5					6
Net purchase of treasury stock through publicly announced plans				(3)				(3)
Compensation expense related to stock option grants			272					272
Balance, December 31, 2019	$	6,408	80,196	(3)	—	34,097	(3)	120,695
Comprehensive income:								
Net income						26,438		26,438
Change in unrealized gains on securities available-for-sale, net of tax							2,559	2,559
Total comprehensive income								28,997
Dividends paid or accrued, $0.250 per share						(1,525)		(1,525)
Shares purchased for ESOP plan (133,601)					(2,000)			(2,000)
Net purchase of treasury stock through publicly announced plans (316,625)			122	(5,825)				(5,703)
Common stock issued through share-based awards and exercises (47,881)		48	347					395
ESOP shares committed to be released (13,328)					232			232
Stock based compensation			531					531
Balance, December 31, 2020	$	6,456	81,196	(5,828)	(1,768)	59,010	2,556	141,622

The accompanying notes are an integral part of these consolidated financial statements.

Meridian Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended December 31,	
(dollars in thousands)	**2020**	**2019**
Net income	$ 26,438	10,481
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Gain on sale of investment securities	(1,345)	(165)
Depreciation and amortization	(2,890)	663
Loss on disposal of premises and equipment	—	14
Net amortization of investment premiums and discounts	425	1,022
Provision for loan losses	8,302	901
Amortization of issuance costs on subordinated debt	112	—
Share-based compensation	763	272
Net change in fair value of loans held for sale	(3,847)	13
Net change in fair value of derivative instruments	(4,975)	(111)
Gain on sale of OREO	(6)	—
Amortization and net impairment of servicing rights	816	204
SBA loan income	(2,733)	(1,495)
Proceeds from sale of loans	2,241,635	607,122
Loans originated for sale	(2,356,821)	(573,416)
Mortgage banking income	(77,116)	(26,325)
Increase in accrued interest receivable	(2,334)	(259)
(Decrease) increase in other assets	3,346	276
Earnings from investment in life insurance	(279)	(290)
Deferred income tax	1,254	(503)
Increase in accrued interest payable	66	783
Increase in other liabilities	11,047	2,382
Net cash (used in) provided by operating activities	(158,142)	21,569
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Maturities, repayments and calls	8,247	14,046
Sales	45,927	24,627
Purchases	(114,494)	(44,679)
Activity in held-to-maturity securities:		
Maturities, repayments and calls	2,140	—
Proceeds from sale of OREO	126	—
Settlement of forward contracts	—	(67)
(Increase) decrease in restricted stock	211	(1,070)
Net increase in loans	(312,435)	(135,188)
Purchases of premises and equipment	(747)	(746)
Net cash used in investing activities	(371,025)	(143,077)
Cash flows from financing activities:		
Net increase in deposits	390,167	99,038
(Decrease) increase in short-term borrowings	(922)	9,376
Decrease in short-term borrowings with original maturity > 90 days	(15,479)	(2,290)
Repayment of acquisition note payable	(413)	(825)
Repayment of long-term debt (subordinated debt)	(172)	(7,432)
Proceeds from long-term debt, net	162,423	40,000
Issuance costs on subordinated debt	(231)	(942)
Net purchase of treasury stock through publicly announced plans	(5,703)	(3)
Dividends paid	(1,525)	—
Purchase of common shares for ESOP	(2,000)	—
Share based awards and exercises	395	6
Net cash provided by financing activities	526,540	136,927
Net change in cash and cash equivalents	(2,627)	15,419
Cash and cash equivalents at beginning of period	39,371	23,952
Cash and cash equivalents at end of period	$ 36,744	39,371
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 13,594	15,744
Income taxes	5,295	2,643
Supplemental disclosure of cash flow information:		
Transfers from loans and leases to real estate owned	—	120
Transfers from loans held for sale to loans held for investment	3,313	3,561
Net loans purchased, not settled	325	1,001
Net loans sold, not settled	—	(9,255)

The accompanying notes are an integral part of these consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

Meridian Corporation ("Meridian" or the "Corporation") is a bank holding company engaged in banking activities through its wholly-owned subsidiary, Meridian Bank (the "Bank"), a full-service, state-chartered commercial bank with offices in the Delaware Valley tri-state market, which includes Pennsylvania, New Jersey and Delaware, and Maryland. We have a financial services business model with significant noninterest income streams from mortgage lending, small business ("SBA") lending and wealth management services. We provide services to small and middle market businesses, professionals and retail customers throughout our market area. We have a modern, progressive, consultative approach to creating innovative solutions for our customers. We are technology driven, with a culture that incorporates significant use of customer preferred alternative delivery channels, such as mobile banking, remote deposit capture and bank-to-bank ACH. Our 'Meridian everywhere' philosophy of community presence, along with our strategic business footprint, allows us to provide the high degree of service, convenience and products our customers need to achieve their financial objectives. We provide this service through three principal business line distribution channels, described further below.

The Corporation operates in a highly competitive market area that includes local, national and regional banks as competitors along with savings banks, credit unions, insurance companies, trust companies and registered investment advisors. The Corporation and its subsidiaries are regulated by many regulatory agencies including the Securities and Exchange Commission ("SEC"), Federal Deposit Insurance Corporation ("FDIC"), the Federal Reserve and the Pennsylvania Department of Banking.

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 through 6 full-service banking offices in Pennsylvania, 9 mortgage loan production offices throughout the Delaware Valley, and 7 mortgage loan production offices in Maryland. The Bank and Corporation are headquartered in Malvern, Pennsylvania, located in the western suburbs of Philadelphia and serves southeastern Pennsylvania and the rest of the Delaware Valley.

(b) Basis of Presentation

The accounting policies of the Corporation conform to U.S. generally accepted accounting principles ("GAAP").

The consolidated financial statements include accounts of the Corporation and its wholly owned subsidiary, the Bank, and the wholly owned subsidiaries of the Bank: Meridian Land Settlement Services LLC; APEX Realty LLC; Meridian Wealth Partners LLC; and Meridian Equipment Finance LLC. All significant intercompany balances and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation. Reclassifications had no effect on prior year net income or total stockholders' equity.

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. Although our current estimates contemplate current conditions and how we expect them to change in the future, due to the continuing impact that the COVID-19 pandemic has had on financial markets and the economy both locally and nationally, it is reasonably possible that this could continue to materially affect these significant estimates and our results of operations and financial condition.

During the quarter-ended March 31, 2019, the Corporation identified and corrected an immaterial error related to Maryland state licensing requirements for mortgage loan originations by our Mortgage division. As the result of our mortgage operations not being fully compliant with Maryland licensing law, we agreed to reimburse consumers approximately $474 thousand in interest and certain fees on loans originated, in addition to paying a fine of $12 thousand to resolve the matter.

(c) Significant Concentrations of Credit Risk

Most of the Corporation's activities are with customers located in the Delaware Valley tri-state market and Maryland. Note 4 discusses the types of securities that the Corporation invests in. Note 5 discusses types of lending that the Corporation engages in. Although the Corporation has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the region's economy. The Corporation 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 37% of total loans held for investment, as of December 31, 2020 and December 31, 2019, 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. The Federal Reserve Board removed cash minimum reserve requirements in March 2020. Net cash flows are reported for customer loan and deposit transactions, interest bearing depsoits in other financial institutions, and the federal funds purchased and repurchased agreements.

(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 Corporation 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 Corporation'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. Gains or losses on disposition are based on the net proceeds and cost of the securities sold, adjusted for the amortization of premiums and accretion of discounts, using the specific identification method.

Securities classified as held to maturity are those debt securities the Corporation 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.

Investments in equity securities are recorded in accordance with ASC 321-10, *Investments - Equity Securities.* Equity securities are carried at fair value, with changes in fair value reported in net income. At December 31, 2020 and 2019, investments in equity securities consisted of an investment in mutual funds with a fair value of $1 million.

The Corporation's accounting policy specifies that (a) if the Corporation 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 Corporation does not intend to sell the security, and it is more likely than not, the Corporation 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 Corporation did not recognize any other-than-temporary impairment charges during the years ended December 31, 2020 and 2019.

(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 Corporation generally amortizes these amounts over the contractual life of the loan.

Loans that were originated by the Corporation 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, 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 and Lease Losses

The allowance for loan and lease losses ("Allowance") is a valuation for probable incurred credit losses established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the Allowance, 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 is maintained at a level considered adequate to provide for probable incurred credit losses. 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 Corporation's Allowance and may require the Corporation 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, and are on non-accrual 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.

We apply historical loss rates to pools of loans with similar risk characteristics. Loss rates are calculated by historical charge-offs that have occurred within each pool of loans over the loss emergence period ("LEP"). The LEP is an estimate of the average amount of time from when an event happens that causes the borrower to be unable to pay on a loan until the loss is confirmed through a loan charge-off.

Another key assumption is the look-back period ("LBP"), which represents the historical data period utilized to calculate loss rates. We used 10 years for our LBP for all portfolio segments which encompasses our loss experience during the Financial Crisis, and our more recent improved loss experience.

After consideration of the historic loss calculations, management applies qualitative adjustments so that the Allowance is reflective of the inherent losses that exist in the loan portfolio at the balance sheet date. Qualitative adjustments are made based upon changes in lending policies and practices, economic conditions, changes in the loan portfolio, changes in lending management, results of internal loan reviews, asset quality trends, collateral values, concentrations of credit risk and other external factors. The evaluation of the various components of the Allowance requires considerable judgment in order to estimate inherent loss exposures.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement, or a troubled debt restructure ("TDR"). 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 Corporation does not separately identify individual loans of this nature for impairment disclosures, unless such loans become impaired or are troubled and the subject of a restructuring agreement.

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

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

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

The Corporation's mortgage banking division operates 9 offices in the tri-state area of Pennsylvania, Delaware and New Jersey and another 7 offices in Maryland. The mortgage banking division originates conventional mortgages, FHA, VA, USDA, and other state insured mortgages. The loans are generally sold to various investors in the secondary market.

Mortgage loans originated by the Corporation and intended for sale in the secondary market to permanent investors are classified as mortgage loans held for sale on the balance sheet as the Corporation has elected to measure loans held for sale at fair value. Fair value is based on outstanding investor commitments or, in the absence of such commitments, on current investor yield requirements based on third party models. Gains and losses on sales of these loans, as well as loan origination costs, are recorded as a component of noninterest income in the Consolidated Statements of Income. The Corporation's current practice is to sell residential mortgage loans and retain the servicing rights, as discussed further below. Interest on loans held for sale is credited to income based on the principal amounts outstanding.

The Corporation enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (interest 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 Corporation protects itself from changes in interest rates through the use of best efforts forward sale contracts, whereby the Corporation 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 Corporation also commits to loan sales through a mandatory sales channel which are economically 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. By entering into best efforts commitments and economically hedging the mandatory commitments, the Corporation limits its exposure to loss and its realization of significant gains related to its rate lock commitments due to changes in interest rates.

The Corporation utilizes a third-party model to determine the fair value of rate lock commitments or forward sale contracts. This model uses 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) Loan Servicing Rights

The Corporation sells substantially all of the residential mortgage loans originated for sale in the secondary market; however, the Corporation may retain the servicing rights related to some of these loans. A fee, usually based on a percentage of the outstanding principal balance of the loan, is received in return for these services. Mortgage servicing rights (“MSRs") are recognized when a loan’s servicing rights are retained upon sale of a loan. When mortgage loans are sold with servicing retained, MSR’s are initially recorded at fair value with the income effect recorded in non-interest income.

The Corporation also sells the guaranteed portion of certain Small Business Administration (“SBA”) loans to third parties and retains servicing rights and receives servicing fees. All such transfers are accounted for as sales. While the Corporation may retain a portion of certain sold SBA loans, its continuing involvement in the portion of the loan that was sold is limited to certain servicing responsibilities.

These servicing assets amortize to noninterest expense in proportion to, and over the period of, the estimated future net servicing life of the underlying loans. The servicing assets are evaluated quarterly for impairment based upon the fair value of the rights as compared to their amortized cost. Impairment is recognized on the income statement to the extent the fair value is less than the capitalized amount of the servicing assets.

(j) 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 Corporation acquires OREO through the wholly owned subsidiary of the Bank, 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. The Corporation had $0 thousand of OREO at December 31, 2020 and $120 thousand for 2019.

(k) 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, 2020, and 2019, the Corporation had an investment of $7.9 million and $8.1 million, respectively, related to the FHLB stock. Also included in restricted stock is secondary stock from a correspondent bank in the amount of $50 thousand as of December 31, 2020 and 2019. 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 banks as compared to the capital stock amount and the length of time this situation has persisted, (2) commitments by the banks to make payments required by law or regulation and the level of such payments in relation to the operating performance of the banks, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the banks.

Management believes no impairment charge is necessary related to these bank restricted stocks as of December 31, 2020 or 2019.

(l) 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 Corporation, (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 Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

(m) Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Land is carried at cost. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 12 to 20 years. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from 3 to 7 years and 3 to 5 years for computer software and hardware, respectively. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. The costs of maintenance and repairs are expensed as incurred; while major replacements, improvements and additions are capitalized.

(n) Bank-Owned Life Insurance

The Corporation invests in bank owned life insurance ("BOLI") as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Corporation on a chosen group of employees. The Corporation is the owner and beneficiary of the policies. This life insurance investment is carried at the cash surrender value of the underlying policies. Earnings from the increase in cash surrender value of the policies are included in non-interest income on the consolidated statements of income.

(o) Advertising Costs

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

(p) Employee Benefit Plans

The Corporation 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 Corporation may make a discretionary matching contribution to the Plan and the ESOP. Full vesting in the Corporation's contribution to the Plan and ESOP is over a three-year period. The Corporation recorded expense for the Plan and ESOP of $1.1 million and $1.2 million, respectively for the year ended December 31, 2020 and

$636 thousand and $325 thousand, respectively for the year ended December 31, 2019. The expense recorded by the Corporation for the ESOP for the year ended December 31, 2020 included a $600 thousand one-time contribution approved by the Board of Directors.

During the year ended December 31, 2020, 161,576 shares were purchased by the ESOP at an average market value of $15.06, while no shares were purchased by the ESOP for 2019. Shares in the ESOP that are committed to be released to employees are treated as outstanding shares in the Corporation's computation of earnings per share.

On August 31, 2020 the Corporation established a $2 million stock purchase authorization with the ESOP. By the end of 2020 the ESOP had fully utilized the $2 million loan to purchase 133,280 Corporation common shares and as of December 31, 2020, 13,328 of these common shares were released to the ESOP and such shares are included in the number of shares purchased in 2020 for the ESOP noted above, leaving 119,952 unallocated shares.

There were 225,687 shares in the ESOP as of December 31, 2020. Shares in the ESOP would be impacted by any stock dividends and stock splits in the same manner as all other outstanding common shares of the Corporation.

(q) 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 Corporation follows accounting guidance related to accounting for uncertainty in income taxes. Under the "more likely than not" threshold guidelines, the Corporation 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, 2020, and 2019, the Corporation had no material unrecognized tax benefits or accrued interest and penalties. The Corporation's policy is to account for interest as a component of interest expense and penalties as a component of other expense. The Corporation is no longer subject to examination by federal, state and local taxing authorities for years before January 1, 2017.

(r) 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 Corporation's common stock at the date of grant is used for restricted stock awards.

(s) 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, 2020 and 2019 consist of unrealized holding gains and (losses) arising during the year on available-for-sale securities.

(t) Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Corporation 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.

(u) Derivative Financial Instruments

The Corporation recognizes all derivative financial instruments related to its mortgage banking activities on its balance sheet at fair value. The Corporation 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.

The Corporation enters into interest rate swaps that allow commercial loan customers to effectively convert a variable-rate commercial loan agreement to a fixed-rate commercial loan agreement. The interest rate swaps are recognized on the Corporation's balance sheet at fair value. Under these agreements, the Corporation originates variable-rate loans with customers in addition to interest rate swap agreements, which serve to effectively swap the customers' variable-rate loans into fixed-rate loans. The Corporation then enters into corresponding swap agreements with swap dealer counterparties to economically hedge its exposure on the variable and fixed components of the customer agreements. The interest rate swaps with both the customers and third parties are not designated as hedges under ASC 815 and are marked to market through earnings. As the interest rate swaps are structured to offset each other, changes to the underlying benchmark interest rates considered in the valuation of these instruments do not result in an impact to earnings; however, there may be fair value adjustments related to credit quality variations between counterparties, which may impact earnings as required by ASC 820.

(v) 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 reduced by unearned ESOP Plan shares and treasury stock. Diluted earnings per common share takes into account the potential dilution that would occur if in the-money stock options were exercised and converted into shares of common stock and restricted stock awards and performance-based stock awards were vested. Proceeds assumed to have been received on options exercises are assumed to be used to purchase shares of the Corporation's common stock at the average market price during the period, as required by the treasury stock method of accounting. The effects of stock options are excluded from the computation of diluted earnings per share in periods in which the effect would be antidilutive.

(w) Revenue Recognition

The Corporation recognizes all sources of income on the accrual method, with the exception of nonaccrual loans and leases.

The Corporation earns wealth management fee income from investment advisory services provided to individual and 401k customers. Fees that are determined based on the market value of the assets held in their accounts are generally billed quarterly, in advance, based on the market value of assets at the end of the previous billing period. Other related services that are based on a fixed fee schedule are recognized when the services are rendered. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed, i.e. the trade date. Included in other assets on the balance sheet is a receivable for wealth management fees that have been earned but not yet collected.

(x) Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

(y) Operating Segments

While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Corporation-wide basis. The Corporation has identified three segments: a banking segment, a wealth management segment and a mortgage banking segment, as more fully disclosed in the Segment note to the consolidated financial statements.

(z) Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in the Fair Value Measurements and Disclosures note to the consolidated financial statements. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

(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 reduced by unearned ESOP Plan shares and treasury shares. 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 and if restricted stock awards were vested. The effects of stock options are excluded from the computation of diluted earnings per share in periods in which the effect would be anti-dilutive.

(dollars in thousands, except per share data)	**Year Ended December 31, 2020**	**2019**
Numerator:		
Net income available to common stockholders	$ 26,438	10,481
Denominator for basic earnings per share		
Weighted average shares outstanding	6,159	6,407
Average unearned ESOP shares	(37)	—
Basic weighted averages shares outstanding	6,122	6,407
Effect of dilutive common shares	65	31
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	6,187	6,438
Basic earnings per share	$ 4.32	1.64
Diluted earnings per share	$ 4.27	1.63
Antidilutive shares excluded from computation of average dilutive earnings per share	275	199

(3) Goodwill and Other Intangibles

The Corporation's goodwill and intangible assets are detailed below:

(dollars in thousands)	Balance December 31, 2019	Amortization Expense	Balance December 31, 2020	Amortization Period (in years)
Goodwill - Wealth	$ 899	—	899	Indefinite
Total Goodwill	899	—	899	
Intangible assets - trade name	266	—	266	Indefinite
Intangible assets - customer relationships	3,523	(204)	3,319	20
Intangible assets - non competition agreements	85	(69)	16	4
Total Intangible Assets	3,874	(273)	3,601	
Total	$ 4,773	(273)	4,500	

Accumulated amortization of intangible assets was $1 million and $750 thousand as of December 31, 2020 and 2019, respectively.

In accordance with ASC Topic 350, the Corporation performed a qualitative assessment of goodwill and identifiable intangible assets as of December 31, 2020 and determined it was more likely than not that the fair value of the Corporation, including the wealth reporting unit where the goodwill and identifiable intangible assets are held, was more than its carrying amount.

At December 31, 2020, the schedule of future intangible asset amortization is as follows (in thousands):

2021	221
2022	204
2023	204
2024	204
2025	204
Thereafter	2,298
	$ 3,335

(4) Securities

The amortized cost and approximate fair value of securities as of December 31, 2020 and 2019 are as follows:

	December 31, 2020				
(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	# of Securities in unrealized loss position
Securities available-for-sale:					
U.S. asset backed securities	$ 25,303	364	(75)	25,592	8
U.S. government agency mortgage-backed securities	3,854	192	—	4,046	—
U.S. government agency collateralized mortgage obligations	23,010	916	(17)	23,909	1
State and municipal securities	63,848	2,025	(63)	65,810	3
Corporate bonds	4,200	7	(2)	4,205	2
Total securities available-for-sale	$ 120,215	3,504	(157)	123,562	14
Securities held-to-maturity:					
State and municipal securities	6,510	347	—	6,857	—
Total securities held-to-maturity	$ 6,510	347	—	6,857	—

	December 31, 2019				
(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	# of Securities in unrealized loss position
Securities available-for-sale:					
U.S. asset backed securities	$ 11,967	—	(101)	11,866	9
U.S. government agency mortgage-backed securities	5,457	66	(26)	5,497	1
U.S. government agency collateralized mortgage obligations	35,096	300	(173)	35,223	15
State and municipal securities	6,354	—	(84)	6,270	6
Total securities available-for-sale	$ 58,874	366	(384)	58,856	31
Securities held-to-maturity:					
State and municipal securities	8,780	223	—	9,003	—
Total securities held-to-maturity	$ 8,780	223	—	9,003	—

Although the Corporation's investment portfolio overall is in a net unrealized gain position at December 31, 2020, the temporary impairment in the above noted securities is primarily the result of changes in market interest rates subsequent to purchase and the Corporation does not intend to sell these securities prior to recovery and it is more likely than not that the Corporation 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.

As of December 31, 2020 and 2019, securities having a fair value of $55.9 million and $19.5 million, respectively, were specifically pledged as collateral for public funds, the FRB discount window program, FHLB borrowings and other purposes. The FHLB has a blanket lien on non-pledged, mortgage-related loans and securities as part of the Corporation's borrowing agreement with the FHLB.

The following table shows the Corporation'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, 2020 and 2019:

	December 31, 2020					
	Less than 12 Months		12 Months or more		Total	
(dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Securities available-for-sale:						
U.S. asset backed securities	$ 2,884	(4)	7,443	(71)	10,327	(75)
U.S. government agency collateralized mortgage obligations	2,284	(17)	—	—	2,284	(17)
State and municipal securities	4,163	(63)	—	—	4,163	(63)
Corporate bonds	1,198	(2)	—	—	1,198	(2)
Total securities available-for-sale	$ 10,529	(86)	7,443	(71)	17,972	(157)

	December 31, 2019					
	Less than 12 Months		12 Months or more		Total	
(dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Securities available-for-sale:						
U.S. asset backed securities	$ 11,866	(101)	—	—	11,866	(101)
U.S. government agency mortgage-backed securities	—	—	1,636	(26)	1,636	(26)
U.S. government agency collateralized mortgage obligations	16,283	(116)	3,108	(57)	19,391	(173)
State and municipal securities	6,270	(84)	—	—	6,270	(84)
Total securities available-for-sale	$ 34,419	(301)	4,744	(83)	39,163	(384)

The amortized cost and carrying value of securities at December 31, 2020 and 2019 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.

	December 31, 2020				December 31, 2019			
	Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity	
(dollars in thousands)	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
Investment securities:								
Due in one year or less	$ —	—	—	—	$ —	—	—	—
Due after one year through five years	—	—	3,181	3,288	—	—	4,242	4,311
Due after five years through ten years	12,035	12,095	3,329	3,569	1,329	1,324	4,538	4,692
Due after ten years	81,316	83,512	—	—	16,992	16,812	—	—
Subtotal	93,351	95,607	6,510	6,857	18,321	18,136	8,780	9,003
Mortgage-related securities	26,864	27,955	—	—	40,553	40,720	—	—
Total	$ 120,215	123,562	6,510	6,857	$ 58,874	58,856	8,780	9,003

Proceeds from the sale of available for sale investment securities totaled $45.9 million for the year ended December 31, 2020, resulting in a gross gain on sale of $1.5 million and a gross loss on sale of $196 thousand for the year ended December 31, 2020.

Proceeds from the sale of available for sale investment securities totaled $24.6 million for the year ended December 31, 2019, resulting in a gross gain on sale of $264 thousand and a gross loss on sale of $99 thousand for the year ended December 31, 2019.

(5) Loans Receivable

Loans and leases outstanding at December 31, 2020 and 2019 are detailed by category as follows:

(dollars in thousands)	December 31, 2020	December 31, 2019
Mortgage loans held for sale	$ 229,199	33,704
Real estate loans:		
Commercial mortgage	485,103	362,590
Home equity lines and loans	64,987	81,583
Residential mortgage (1)	52,454	53,665
Construction	140,246	172,044
Total real estate loans	742,790	669,882
Commercial and industrial	261,750	273,301
Small business loans	49,542	21,616
Paycheck Protection Program loans ("PPP")	203,543	—
Main Street Lending Program Loans ("MSLP")	580	—
Consumer	511	1,003
Leases, net	31,040	697
Total portfolio loans and leases	1,289,756	966,499
Total loans and leases	$ 1,518,955	1,000,203
Loans with predetermined rates	$ 658,458	293,114
Loans with adjustable or floating rates	860,497	707,089
Total loans and leases	$ 1,518,955	1,000,203
Net deferred loan origination (fees) costs	$ (4,992)	(1,789)

(1) Includes $12,182 and $10,546 of loans at fair value as of December 31, 2020 and 2019, respectively.

Components of the net investment in leases at December 31, 2020 and 2019 are detailed as follows:

(dollars in thousands)	December 31, 2020	December 31, 2019
Minimum lease payments receivable	$ 37,919	729
Unearned lease income	(6,879)	(32)
Total	$ 31,040	697

Age Analysis of Past Due Loans and Leases

The following table presents an aging of the Corporation's loan and lease portfolio as of December 31, 2020 and 2019, respectively:

December 31, 2020 *(dollars in thousands)*	**30-89 days past due**	**90+ days past due and still accruing**	**Total past due**	**Current**	**Total Accruing Loans and leases**	**Nonaccrual loans and leases**	**Total loans portfolio and leases**	**Delinquency percentage**
Commercial mortgage	$ —	—	—	482,042	482,042	3,061	485,103	0.63 %
Home equity lines and loans	—	—	—	64,128	64,128	859	64,987	1.32
Residential mortgage (1)	3,595	—	3,595	46,134	49,729	2,725	52,454	12.05
Construction	—	—	—	140,246	140,246	—	140,246	—
Commercial and industrial	—	—	—	260,465	260,465	1,285	261,750	0.49
Small business loans	—	—	—	49,542	49,542	—	49,542	—
Paycheck Protection Program loans	—	—	—	203,543	203,543	—	203,543	—
Main Street Lending Program loans	—	—	—	580	580	—	580	—
Consumer	—	—	—	511	511	—	511	—
Leases	109	—	109	30,931	31,040	—	31,040	0.35
Total	$ 3,704	—	3,704	1,278,122	1,281,826	7,930	1,289,756	0.90 %

(1) Includes $12,182 of loans at fair value as of December 31, 2020 ($10,314 of current, $958 of 30-89 days past due and $910 of nonaccrual).

December 31, 2019 *(dollars in thousands)*	**30-89 days past due**	**90+ days past due and still accruing**	**Total past due**	**Current**	**Total Accruing Loans and leases**	**Nonaccrual loans and leases**	**Total loans portfolio and leases**	**Delinquency percentage**
Commercial mortgage	$ —	—	—	361,857	361,857	733	362,590	0.20 %
Home equity lines and loans	—	—	—	81,046	81,046	537	81,583	0.66
Residential mortgage (1)	4,675	—	4,675	47,446	52,121	1,544	53,665	11.59
Construction	—	—	—	172,044	172,044	—	172,044	—
Commercial and industrial	206	—	206	272,674	272,880	421	273,301	0.23
Small business loans	—	—	—	21,616	21,616	—	21,616	—
Consumer	—	—	—	1,003	1,003	—	1,003	—
Leases	162	—	162	535	697	—	697	23.24
Total	$ 5,043	—	5,043	958,221	963,264	3,235	966,499	0.86 %

(1) Includes $10,546 of loans at fair value as of December 31, 2019 ($9,056 of current, $786 of 30-89 days past due and $704 of nonaccrual).

(6) Allowance for Loan and Lease Losses (the Allowance)

The Allowance is established through provisions for loan and lease losses charged against income. Loans deemed to be uncollectible are charged against the Allowance, and subsequent recoveries, if any, are credited to the Allowance.

The Allowance 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.

Roll-Forward of the Allowance by Portfolio Segment

The following tables detail the roll-forward of the Corporation's Allowance, by portfolio segment, as of December 31, 2020 and 2019, respectively:

(dollars in thousands)	Balance, December 31, 2019	Charge-offs	Recoveries	Provision	Balance, December 31, 2020
Commercial mortgage	$ 3,426	—	—	4,025	7,451
Home equity lines and loans	342	(90)	14	168	434
Residential mortgage	179	—	7	199	385
Construction	2,362	—	—	59	2,421
Commercial and industrial	2,684	(31)	58	2,720	5,431
Small business loans	509	—	—	750	1,259
Consumer	6	(10)	4	4	4
Leases	5	—	—	377	382
Total	$ 9,513	(131)	83	8,302	17,767

(dollars in thousands)	Balance, December 31, 2018	Charge-offs	Recoveries	Provision	Balance, December 31, 2019
Commercial mortgage	$ 3,209	—	237	(20)	3,426
Home equity lines and loans	323	—	10	9	342
Residential mortgage	191	—	5	(17)	179
Construction	1,627	—	—	735	2,362
Commercial and industrial	2,612	(30)	333	(231)	2,684
Small business loans	78	—	—	431	509
Consumer	3	—	4	(1)	6
Leases	10	—	—	(5)	5
Total	$ 8,053	(30)	589	901	9,513

The Allowance Allocated by Portfolio Segment

The following table details the allocation of the Allowance and 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, 2020 respectively:

December 31, 2020 *(dollars in thousands)*	Allowance on loans and leases Individually evaluated for impairment	Collectively evaluated for impairment	Total	Carrying value of loans and leases Individually evaluated for impairment	Collectively evaluated for impairment	Total
Commercial mortgage	$ —	7,451	7,451	$ 1,606	483,497	485,103
Home equity lines and loans	9	425	434	921	64,066	64,987
Residential mortgage	73	312	385	1,817	38,455	40,272
Construction	—	2,421	2,421	1,206	139,040	140,246
Commercial and industrial	1,563	3,868	5,431	4,645	257,105	261,750
Small business loans	—	1,259	1,259	185	49,357	49,542
Paycheck Protection Program loans	—	—	—	—	203,543	203,543
Main Street Lending Program	—	—	—	—	580	580
Consumer	—	4	4	—	511	511
Leases	—	382	382	—	31,040	31,040
Total	$ 1,645	16,122	17,767	$ 10,380	1,267,194	1,277,574 (1)

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

The following table details the allocation of the Allowance and 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, 2019 respectively:

December 31, 2019 *(dollars in thousands)*	Allowance on loans and leases Individually evaluated for impairment	Collectively evaluated for impairment	Total	Carrying value of loans and leases Individually evaluated for impairment	Collectively evaluated for impairment	Total
Commercial mortgage	$ —	3,426	3,426	$ 2,138	360,452	362,590
Home equity lines and loans	46	296	342	536	81,047	81,583
Residential mortgage	—	179	179	854	42,265	43,119
Construction	—	2,362	2,362	1,247	170,797	172,044
Commercial and industrial	27	2,657	2,684	1,288	272,013	273,301
Small business loans	63	446	509	1,244	20,372	21,616
Consumer	—	6	6	—	1,003	1,003
Leases	—	5	5	—	697	697
Total	$ 136	9,377	9,513	$ 7,307	948,646	955,953 (1)

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

Loans and Leases by Credit Ratings

As part of the process of determining 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 determine the Allowance as of December 31, 2020 and 2019, respectively:

December 31, 2020 *(dollars in thousands)*	**Pass**	**Special mention**	**Substandard**	**Doubtful**	**Total**
Commercial mortgage	$ 449,545	32,059	3,499	—	485,103
Home equity lines and loans	63,923	—	1,064	—	64,987
Construction	132,286	7,960	—	—	140,246
Commercial and industrial	227,349	21,721	9,000	3,680	261,750
Small business loans	46,789	—	2,753	—	49,542
Paycheck Protection Program loans	203,543	—	—	—	203,543
Main Street Lending Program loans	580	—	—	—	580
Total	$ 1,124,015	61,740	16,316	3,680	1,205,751

December 31, 2019 *(dollars in thousands)*	**Pass**	**Special mention**	**Substandard**	**Doubtful**	**Total**
Commercial mortgage	$ 353,724	5,821	3,045	—	362,590
Home equity lines and loans	81,046	—	537	—	81,583
Construction	170,823	1,221	—	—	172,044
Commercial and industrial	251,320	9,648	12,333	—	273,301
Small business loans	20,351	—	1,265	—	21,616
Total	$ 877,264	16,690	17,180	—	911,134

In addition to 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, 2020 and 2019, respectively.

	December 31, 2020			**December 31, 2019**		
(dollars in thousands)	**Performing**	**Nonperforming**	**Total**	**Performing**	**Nonperforming**	**Total**
Residential mortgage	$ 38,457	1,815	40,272	$ 42,265	854	43,119
Consumer	511	—	511	1,003	—	1,003
Leases	31,040	—	31,040	697	—	697
Total	$ 70,008	1,815	71,823	$ 43,965	854	44,819

There were five nonperforming residential mortgage loans at December 31, 2020 and five at December 31, 2019 with a combined outstanding principal balance of $910 thousand and $839 thousand, respectively, which were carried at fair value and not included in the table above. No TDR's performing according to modified terms are included in performing residential mortgages above for the twelve months ended December 31, 2020 and 2019, respectively.

Impaired Loans

The following tables detail the recorded investment and principal balance of impaired loans by portfolio segment, their related Allowance and interest income recognized for the periods.

	As of December 31, 2020			As of December 31, 2019		
(dollars in thousands)	Recorded investment	Principal balance	Related allowance	Recorded investment	Principal balance	Related allowance
Impaired loans with related allowance:						
Commercial and industrial	3,860	3,902	1,563	617	617	27
Small business loans	—	—	—	1,002	1,002	63
Home equity lines and loans	95	105	9	461	461	46
Residential mortgage	689	689	73	—	—	—
Total	4,644	4,696	1,645	2,080	2,080	136
Impaired loans without related allowance:						
Commercial mortgage	$ 1,606	1,642	—	2,138	2,173	—
Commercial and industrial	785	862	—	671	718	—
Small business loans	185	185	—	242	242	—
Home equity lines and loans	826	839	—	75	75	—
Residential mortgage	1,128	1,128	—	854	854	—
Construction	1,206	1,206	—	1,247	1,248	—
Total	5,736	5,862	—	5,227	5,310	—
Grand Total	$ 10,380	10,558	1,645	7,307	7,390	136

Interest income recognized on performing impaired loans amounted to $328 thousand and $206 thousand for the twelve months ended December 31, 2020 and 2019, respectively.

Troubled Debt Restructuring ("TDR's")

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

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

The balance of TDRs at December 31, 2020 and 2019 are as follows:

(dollars in thousands)	December 31, 2020	December 31, 2019
TDRs included in nonperforming loans and leases	$ 244	319
TDRs in compliance with modified terms	3,362	3,599
Total TDRs	$ 3,606	3,918

There were no loan and lease modifications granted during the years ended December 31, 2020 and 2019 that were categorized as TDRs.

No loan and lease modifications granted during the twelve months ended December 31, 2020 and 2019 subsequently defaulted during the same time period.

COVID-19 Loan Modifications

The following table details the loan modifications excluding TDR's that the Corporation provided to loan customers as of December 31, 2020.

	December 31, 2020		
Loan Portfolio	**Portfolio Balance**	**Total Modifications**	**Active Modifications**
Commercial mortgage	$ 485,103	$ 96,712	$ 19,836
Commercial and industrial, including leases	292,790	22,727	—
Construction & land development	140,246	24,847	4,343
Home equity lines and loans	64,987	1,488	—
Residential mortgage	52,454	4,563	—
Small business loans	49,542	5,958	2,726
Consumer	511	—	—
Total	$ 1,085,633	$ 156,295	$ 26,905

In accordance with Section 4013 of the CARES Act, loan deferrals granted to customers that resulted from the impact of COVID-19 and who were not past due at the time of deferral were not considered trouble debt restructurings under ASC 310-40 as of December 31, 2020. This provision was extended to January 1, 2022 under the Consolidated Appropriations Act, 2021. Management continues to monitor these deferrals and has adequately considered these credits in the December 31, 2020 allowance for loan losses balance. These modified loans are classified as performing and are not considered past due. Loans are to be placed on non-accrual when it becomes apparent that payment of interest or recovery of all principal is questionable, and the COVID-19 related modification is no longer considered short-term or the modification is deemed ineffective.

(7) Bank Premises and Equipment

The components of premises and equipment at December 31, 2020 and 2019 are as follows:

(dollars in thousands)	**2020**	**2019**
Building	$ 4,141	4,141
Leasehold improvements	3,202	3,156
Land	600	600
Land Improvements	218	215
Furniture, fixtures and equipment	2,700	2,574
Computer equipment and data processing software	7,034	6,360
Construction in process	—	102
Less: accumulated depreciation	(10,118)	(8,512)
Total	$ 7,777	8,636

Total depreciation expense for the years ended December 31, 2020 and 2019 totaled $1.6 million and $1.7 million, respectively.

(8) Deposits

The components of deposits at December 31, 2020 and 2019 are as follows:

(dollars in thousands)	2020	2019
Demand, non-interest bearing	$ 203,843	139,450
Demand, interest bearing	206,573	94,416
Savings accounts	8,056	3,231
Money market accounts	564,566	302,242
Time deposits	258,297	311,829
Total	$ 1,241,335	851,168

The aggregate amount of time deposits in denominations over $250 thousand were $233.1 million and $271.1 milllion as of December 31, 2020 and 2019, respectively.

At December 31, 2020, the scheduled maturities of time deposits are as follows (in thousands):

2021	$ 197,649
2022	41,533
2023	11,789
2024	3,342
2025	3,984
	$ 258,297

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

The Corporation'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 Corporation has two Federal Funds borrowing facilities with correspondent banks: one of $15 million and one of $24 million, respectively, which are both unsecured. Federal funds purchased generally represent one-day borrowings. The Corporation had $0 in Federal Funds purchased at December 31, 2020 and 2019, respectively. The Corporation also has a facility with the Federal Reserve discount window of $15.3 million that is fully secured by investment securities and loans. There were $10 million in borrowings under this facility at December 31, 2020.

Short-term borrowings at December 31, 2020 and December 31, 2019 consisted of the following notes:

			Balance as of	
(dollars in thousands)	Maturity date	Interest rate	December 31, 2020	December 31, 2019
Open Repo Plus Weekly	05/28/2021	0.41 %	60,416	102,320
Federal Reserve Discount Window	03/31/2021	0.25	10,000	—
Mid-term Repo-fixed	01/13/2021	0.36	4,605	—
Mid-term Repo-fixed	06/10/2021	0.10	6,376	—
Mid-term Repo-fixed	09/10/2021	0.11	10,000	—
Mid-term Repo-fixed	12/10/2021	0.16	10,000	—
Mid-term Repo-fixed	01/27/2021	0.23	5,465	—
Mid-term Repo-fixed	08/10/2020	2.76	—	5,000
Mid-term Repo-fixed	08/10/2020	1.59	—	5,144
Mid-term Repo-fixed	09/11/2020	1.59	—	7,676
Mid-term Repo-fixed	03/27/2020	2.03	—	3,123
Acquisition Purchase Note	04/01/2020	3.00	—	413
Total			$ 106,862	123,676

As part of the CARES Act, the FRB of Philadelphia offered secured discounted borrowings to banks who originated PPP loans through the Paycheck Protection Program Liquidity Facility or PPPLF program. At December 31, 2020, the Corporation pledged $153.3 million of PPP loans to the FRB of Philadelphia to borrow $153.3 million of funds at a rate of 0.35%.

Long-term debt at December 31, 2020 and December 31, 2019 consisted of the following fixed rate notes with the FHLB of Pittsburgh:

			Balance as of	
(dollars in thousands)	**Maturity date**	**Interest rate**	**December 31, 2020**	**December 31, 2019**
PPPLF Advance	Various	0.35 %	153,269	—
Mid-term Repo-fixed	06/29/2022	0.32	7,392	3,123
Mid-term Repo-fixed	09/12/2022	0.23	4,885	—
Total	`		$ 165,546	3,123

The FHLB of Pittsburgh had issued $143.0 million of letters of credit to the Corporation for the benefit of the Corporation's public deposit funds and loan customers. These letters of credit expire throughout 2021.

The Corporation has a maximum borrowing capacity with the FHLB of Pittsburgh of $638.9 million and $507.3 million as of December 31, 2020 and 2019, respectively. All advances and letters of credit from the FHLB are secured by a blanket lien on non-pledged, mortgage-related loans and securities as part of the Corporation's borrowing agreement with the FHLB.

(10) Subordinated Debentures

In December 2008, the Bank issued $550 thousand 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 share of the Corporation'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, 2020, $169 thousand of the 2008 Debentures remained outstanding, after pay downs of $56 thousand during 2020 and $119 thousand during 2019.

In December 2011, the Bank issued $1.4 million 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 Corporation'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. The 2011 Debentures began to repay principal in eight equal installments which commenced in December of 2019. As of December 31, 2020, $693 thousand of the 2011 Debentures remained outstanding, after pay downs of $116 thousand each during 2020 and 2019.

In April 2013, the Bank issued $1.4 million 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 Corporation'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. As of December 31, 2020 and 2019, $870 thousand of the 2013 Debentures remained outstanding, after no pay downs during 2020 or 2019.

In June, August and September 2014, the Bank issued $3 million, $100 thousand, and $7 million 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%. During 2019, the Corporation redeemed the remaining $7.1 million of 2014 Debentures and therefore there was $0 outstanding as of December 31, 2020 and 2019.

Upon formation of the bank holding company, the Corporation assumed the 2008, 2011, 2013 and 2014 Debentures that were originally issued by the Bank.

During December 2019, the Corporation issued $40 million of fixed-to-floating rate non-convertible unsecured subordinated debentures (2019 Debentures). The 2019 Debentures have a maturity date of December 30, 2029 and interest on the 2019 Debentures is paid semiannually at 5.375%. The debt issuance costs are included as a direct deduction from the debt liability and these costs are amortized to interest expense using the effective yield method. During 2020 the Corporation made interest payments of $2.2 million on the 2019 Debentures.

The 2008, 2011, and 2013 Debentures are includable as Tier 2 capital for determining the Bank's compliance with regulatory capital requirements (see footnote 19). The 2019 Debentures are included as Tier 2 capital for the Corporation and as Tier 1 capital for the Bank.

(11) Servicing Assets

The Corporation sells certain residential mortgage loans and the guaranteed portion of certain SBA loans to third parties and retains servicing rights and receives servicing fees. All such transfers are accounted for as sales. When the Corporation sells a residential mortgage loan, it does not retain any portion of that loan and its continuing involvement in such transfers is limited to certain servicing responsibilities. While the Corporation may retain a portion of certain sold SBA loans, its continuing involvement in the portion of the loan that was sold is limited to certain servicing responsibilities. When the contractual servicing fees on loans sold with servicing retained are expected to be more than adequate compensation to a servicer for performing the servicing, a capitalized servicing asset is recognized. The Corporation accounts for the transfers and servicing of financial assets in accordance with ASC 860, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities.

Residential Mortgage Loans

MSRs are amortized to non-interest expense in proportion to, and over the period of, the estimated future net servicing life of the underlying assets. MSR's are evaluated quarterly for impairment based upon the fair value of the rights as compared to their amortized cost. Impairment is recognized on the income statement to the extent the fair value is less than the capitalized amount of the MSR. The Corporation serviced $506.0 million and $60.3 million of residential mortgage loans as of December 31, 2020 and 2019, respectively. During the twelve months ended December 31, 2020, the Corporation recognized servicing fee income of $498 thousand, compared to $91 thousand during the twelve months ended December 31, 2019, respectively.

Changes in the MSR balance are summarized as follows:

	Year Ended December 31,	
(dollars in thousands)	**2020**	**2019**
Balance at beginning of the period	$ 446	232
Servicing rights capitalized	4,856	372
Amortization of servicing rights	(318)	(60)
Change in valuation allowance	(337)	(98)
Balance at end of the period	$ 4,647	446

Activity in the valuation allowance for MSR's was as follows:

(dollars in thousands)	Year Ended December 31, 2020		2019
Valuation allowance, beginning of period	$	(98)	—
Impairment		(337)	(98)
Recovery		—	—
Valuation allowance, end of period	$	(435)	(98)

The Corporation uses assumptions and estimates in determining the fair value of MSRs. These assumptions include prepayment speeds and discount rates. The assumptions used in the valuation were based on input from buyers, brokers and other qualified personnel, as well as market knowledge. At December 31, 2020, the key assumptions used to determine the fair value of the Corporation's MSRs included a lifetime constant prepayment rate equal to 9.39% and a discount rate equal to 9.00%. At December 31, 2019, the key assumptions used to determine the fair value of the Corporation's MSRs included a lifetime constant prepayment rate equal to 13.08% and a discount rate equal to 9.00%.

At December 31, 2020 and 2019, the sensitivity of the current fair value of the residential mortgage servicing rights to immediate 10% and 20% unfavorable changes in key economic assumptions are included in the following table.

(dollars in thousands)	December 31, 2020		December 31, 2019	
Fair value of residential mortgage servicing rights	$	4,647	$	446
Weighted average life (years)		5.0		7.8
Prepayment speed		9.39%		13.08%
Impact on fair value:				
10% adverse change	$	(183)	$	(19)
20% adverse change		(354)		(37)
Discount rate		9.00%		9.00%
Impact on fair value:				
10% adverse change	$	(168)	$	(14)
20% adverse change		(329)		(27)

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of an adverse variation in a particular assumption on the fair value of the MSRs is calculated without changing any other assumption; while in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments), which may magnify or counteract the effect of the change.

SBA Loans

SBA loan servicing assets are amortized to non-interest expense in proportion to, and over the period of, the estimated future net servicing life of the underlying assets. SBA loan servicing assets are evaluated quarterly for impairment based upon the fair value of the rights as compared to their amortized cost. Impairment is recognized on the income statement to the extent the fair value is less than the capitalized amount of the SBA loan servicing asset. The Corporation serviced $55.9 million of SBA loans, as of December 31, 2020 and $18.0 million as of December 31, 2019.

Changes in the SBA loan servicing asset balance are summarized as follows:

(dollars in thousands)	Year Ended December 31, 2020	2019
Balance at beginning of the period	$ 337	—
Servicing rights capitalized	794	383
Amortization of servicing rights	(148)	(20)
Change in valuation allowance	(13)	(26)
Balance at end of the period	$ 970	337

Activity in the valuation allowance for SBA loan servicing assets was as follows:

(dollars in thousands)	Year Ended December 31, 2020	2019
Valuation allowance, beginning of period	$ (26)	—
Impairment	(13)	(26)
Recovery	—	—
Valuation allowance, end of period	$ (39)	(26)

The Corporation uses assumptions and estimates in determining the fair value of SBA loan servicing rights. These assumptions include prepayment speeds, discount rates, and other assumptions. The assumptions used in the valuation were based on input from buyers, brokers and other qualified personnel, as well as market knowledge.

At December 31, 2020, the key assumptions used to determine the fair value of the Corporation's SBA loan servicing rights included a lifetime constant prepayment rate equal to 12.73%, and a discount rate equal to 8.33%. At December 31, 2019, the key assumptions used to determine the fair value of the Corporation's SBA loan servicing rights included a lifetime constant prepayment rate equal to 10.77%, and a discount rate equal to 11.28%.

At December 31, 2020 and 2019, the sensitivity of the current fair value of the SBA loan servicing rights to immediate 10% and 20% unfavorable changes in key economic assumptions are included in the following table.

(dollars in thousands)	December 31, 2020	December 31, 2019
Fair value of SBA loan servicing rights	$ 1,010	$ 337
Weighted average life (years)	3.7	4.3
Prepayment speed	12.73%	10.77%
Impact on fair value:		
10% adverse change	$ (37)	$ (12)
20% adverse change	(71)	(23)
Discount rate	8.33%	11.28%
Impact on fair value:		
10% adverse change	$ (25)	$ (9)
20% adverse change	(49)	(18)

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of an adverse variation in a particular assumption on the fair value of the SBA servicing rights is calculated without changing any other assumption; while in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments), which may magnify or counteract the effect of the change.

(12) Lease Commitments

The Corporation leases twenty-two offices from third parties under operating lease agreements expiring at different periods through March 2031. Under all current agreements, the Corporation is responsible for its portion of real estate taxes, utilities, insurance, and repairs and maintenance.

Total rental expense for the years ended December 31, 2020 and 2019 was $1.9 million and $1.3 million, respectively. Future minimum lease payments by year and in the aggregate, under these lease agreements, are as follows:

Future minimum lease payments

(dollars in thousands)		
2021	$	2,067
2022		1,638
2023		1,549
2024		1,528
2025		1,260
Thereafter		3,303
	$	11,345

(13) Stock-Based Compensation

The Corporation has issued stock options under the Meridian Bank 2004 Stock Option Plan (2004 Plan). The 2004 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 Corporation. No additional shares are available for future grants. The shares granted under the 2004 Plan to directors are nonqualified options. The shares granted under the 2004 Plan to officers and other employees are incentive stock options, and are subject to the limitations under Section 422 of the Internal Revenue Code.

The Meridian Bank 2016 Equity Incentive Plan (2016 Plan) was amended on May 24, 2019 to authorize the Board of Directors to grant up to an aggregate of 686,900 stock awards that can take different forms, as adjusted for the 2016 5% stock dividend. A total of 296,100 stock options and 33,208 shares of restricted stock have been granted under the 2016 Plan through December 31, 2020. As of December 31, 2020 there were 355,992 stock awards remaining to be issued. Options granted under the 2016 Plan to directors are nonqualified options, while options 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 Options

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.

Stock option awards granted under the 2016 Plan have a term that does not exceed ten years and vest according to each award’s specific vesting schedule. Currently, all option awards granted to date vest 25% upon grant and become fully exercisable after three years of service from the grant date.

The following table provides information about stock options outstanding as of December 31, 2020 and 2019:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2018	274,070	$ 15.88	$ 4.46
Exercised	(689)	11.79	3.89
Granted	73,000	17.03	4.90
Forfeited	—	—	—
Outstanding at December 31, 2019	346,381	16.13	4.55
Exercised	(14,673)	13.64	3.74
Granted	94,650	17.70	5.07
Forfeited	(25,631)	17.03	4.73
Outstanding at December 31, 2020	400,727	16.53	4.69
Exercisable at December 31, 2020	277,339	16.10	4.52
Nonvested at December 31, 2020	123,388	$ 17.51	$ 5.08

The weighted average remaining contractual life of the outstanding stock options at December 31, 2020 is 7.1 years. At December 31, 2020 the range of exercise prices is $10.36 to $20.89. The aggregate intrinsic value of options outstanding and exercisable was $1.7 million and $1.3 million, respectively, as of December 31, 2020.

The fair value of each option granted in 2020 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 between 0.47% and 1.68%, expected life of 5.75 years, and expected volatility of between 21.81% and 39.65% based on an average of the Corporation's share price since going public and the expected volatility of similar public financial institutions in the Corporation's market area for the period before the Corporation went public. The weighted average fair value of options granted in 2020 was $4.47 to $5.87 per share.

The fair value of each option granted in 2019 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 between 1.95% and 2.61%, expected life of 5.75 years, and expected volatility of 22.44% and 22.48% based on an average of the Corporation's share price since going public and the expected volatility of similar public financial institutions in the Corporation's market area. The weighted average fair value of options granted in 2019 was $4.84 to $5.30 per share.

Total stock compensation cost for the twelve months ended December 31, 2020 and December 31, 2019 was $451 thousand and $272 thousand, respectively. During the twelve months ended December 31, 2020 and December 31, 2019, the Corporation received $200 thousand and $128 thousand from the exercise of stock options, respectively. There were no tax benefits recognized related to stock compensation cost for the twelve months ended December 31, 2020 and 2019.

In accordance with ASU 2016-09 – Compensation – Stock Compensation (ASU 2016-09), forfeitures are recognized as they occur instead of applying an estimated forfeiture rate to each grant. For purposes of the determination of stock-based compensation expense for the year ended December 31, 2020, we recognized the forfeiture of 25,631 of shares of stock options that were previously granted to officers and other employees.

As of December 31, 2020, there was $401 thousand of unrecognized compensation cost related to nonvested stock options. This cost will be recognized over a weighted average period of 1.33 years.

Restricted Stock

The restricted stock granted under the 2016 Plan vest according to each award's specific vesting schedule. All awards granted in 2020 vest 50% one year from the grant date and the remaining 50% on the second anniversary of the grant date. The grant date fair value of the restricted stock is based on the closing price on the date prior to the grant.

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2019	—	—	—
Granted	33,208	14.00	14.00
Vested	—	—	—
Forfeited	—	—	—
Outstanding at December 31, 2020	33,208	14.00	14.00
Nonvested at December 31, 2020	33,208	$ 14.00	$ 14.00

Compensation expense for restricted stock is measured based on the market price of the stock on the day prior to the grant date and is recognized on a straight-line basis over the vesting period. For the year ended December 31, 2020, the Corporation recognized $80 thousand of expense related to the restricted stock. As of December 31, 2020, there was $385 thousand in unrecognized compensation costs related to restricted stock. This cost will be recognized over a weighted average period of 0.62 years.

(14) Income Taxes

The components of the federal and state income tax expense for the years ended December 31, 2020 and 2019 are as follows:

(dollars in thousands)	2020	2019
Federal:		
Current	$ 5,703	3,287
Deferred	1,242	(489)
	6,945	2,798
State:		
Current	1,141	249
Deferred	12	(14)
	1,153	235
Totals	$ 8,098	3,033

A reconciliation of the statutory income tax at 21% to the income tax expense included in the statement of operations is as follows for 2020 and 2019, respectively:

(dollars in thousands)	2020		2019	
Federal income tax at statutory rate	$ 7,252	21.0 %	2,838	21.0 %
State tax expense, net of federal benefit	911	2.6	186	1.4
Tax exempt interest	(153)	(0.4)	(65)	(0.5)
Bank owned life insurance	(59)	(0.2)	(61)	(0.5)
Incentive stock options	74	0.2	66	0.5
Other	73	0.2	69	0.5
Effective income tax rate	$ 8,098	23.4 %	3,033	22.4 %

The components of the net deferred tax asset at December 31, 2020 and 2019 are as follows:

(dollars in thousands)	2020	2019
Deferred tax assets:		
Allowance for loan and lease losses	$ 4,230	2,111
Litigation reserve	—	220
Intangibles	30	58
Accrued incentive compensation	—	176
Accrued retirement	528	432
Unrealized loss on available for sale securities	—	2
Deferred rent	180	142
Mortgage repurchase reserve	641	16
Other	122	78
Total deferred tax asset	5,731	3,235
Deferred tax liabilities:		
Property and equipment	(377)	(388)
Loan servicing rights	(1,337)	(183)
Mortgage pipeline fair-value adjustment	(1,156)	(77)
Hedge instrument fair-value adjustment	(1,252)	(41)
Unrealized gain on available for sale securities	(797)	—
Prepaid expenses	(340)	(152)
Deferred loan costs	(406)	(279)
Other	(4)	—
Total deferred tax liability	(5,669)	(1,120)
Net deferred tax asset	$ 62	2,115

The effective tax rates for the twelve-month periods ended December 31, 2020 and 2019 were 23.4% and 22.4% respectively. The increase in rate from 22.4% to 23.4% between 2019 and 2020 was primarily related to the increase in state income tax expense as Meridian's mortgage division expanded into Maryland in 2020.

Under ASC 740, Income Taxes, the effect of income tax law changes on deferred taxes should be recognized as a component of income tax expense related to continuing operations in the period in which the law is enacted. This requirement applies not only to items initially recognized in continuing operations, but also to items initially recognized in other comprehensive income. The CARES Act, enacted in March 2020 grants potential tax relief to businesses, including corporate tax provisions that: temporarily allow for the carryback of certain net operating losses, increase interest expense deduction limitations, and allow accelerated depreciation deductions on certain fixed asset improvements. The tax relief under the CARES Act had no material impact to the Corporation's Consolidated Financial Statements.

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.

As of December 31, 2020, the Corporation had an investment in low income housing tax credits of $1.3 million on which it recognized tax credits of $161 thousand, amortization of $180 thousand and tax benefits from losses of $26 thousand during the year ended December 31, 2020. As of December 31, 2019, the Corporation had an investment in low income housing tax credits of $1.5 million on which it recognized tax credits of $224 thousand, amortization of $245 thousand and tax benefits from losses of $33 thousand during the year ended December 31, 2019.

(15) Revenue from Contracts with Customers

All of the Corporation's revenue from contracts with customers in the scope of FASB ASU 2014-09 (Topic 606), "Revenue for Contracts with Customers" (ASC 606) is recognized within noninterest income. The following table presents the Corporation's noninterest income by revenue stream and reportable segment for the year ended December 31, 2020 (in accordance with ASC 606), and for the year ended December 31, 2019 (in accordance with ASC 605 – Revenue Recognition) as the Corporation adopted ASC 606 as of December 31, 2020. Items for the year ended December 31, 2020 outside the scope of ASC 606 are noted as such.

	Year Ended December 31, 2020				Year Ended December 31, 2019			
(Dollars in thousands)	**Bank**	**Wealth**	**Mortgage**	**Total**	**Bank**	**Wealth**	**Mortgage**	**Total**
Non-interest Income								
Mortgage banking income (1)	$ 1,632	—	74,829	76,461	$ 268	—	25,741	26,009
Wealth management income	—	3,854	—	3,854	92	3,532	—	3,624
SBA income (1)	2,572	—	—	2,572	1,401	—	—	1,401
Net change in fair values (1)	(40)	—	9,185	9,145	(29)	—	518	489
Net gain (loss) on hedging activity (1)	—	—	(9,400)	(9,400)	(21)		(795)	(816)
Earnings on investment in life insurance (1)	279	—	—	279	290	—	—	290
Net gain on sale of securities (1)	1,345	—	—	1,345	165	—	—	165
Dividends on FHLB stock (1)	325	—	—	325	430	—	—	430
Service charges on deposit accounts	107	—	—	107	110	—	—	110
Other (2)	1,468	14	748	2,230	840	—	351	1,191
Non-interest income	$ 7,688	3,868	75,362	86,918	$ 3,546	3,532	25,815	32,893

(1) Not within the scope of ASC 606.
(2) Within other non-interest income is $925 thousand and $621 thousand for the years ended December 31, 2020 and 2019, respectively, which are in the scope of ASC 606. These amounts include wire transfer fees, ATM/debit card commissions, and title fee income.

A description of the Corporation's primary revenue streams accounted for under ASC 606 follows:

Wealth Management Income: The Corporation earns wealth management fee income from investment advisory services provided to individual and 401k customers. Fees that are determined based on the market value of the assets held in their accounts are generally billed quarterly, in advance, based on the market value of assets at the end of the previous billing period. Other related services that are based on a fixed fee schedule are recognized when the services are rendered. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed, i.e. the trade date. Included in other assets on the balance sheet is a receivable for wealth management fees that have been earned but not yet collected.

Service Charges on Deposit Accounts: The Corporation earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Corporation fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Gains/Losses on Sales of OREO: The Corporation records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. There was a sale of $120 thousand in OREO for the year ended December 31, 2020, resulting in a gain on sale of $6 thousand. There were no such sales of OREO for the year ended December 31, 2019.

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

The Corporation 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). Loans receivable from related parties totaled $3.3 million and $3.7 million at December 31, 2020 and 2019, respectively. Advances, repayments, and the effect of changes in composition of related parties during 2020 totaled $4.9 million, $3.8 million, and $1.5 million, respectively. Advances and repayments during 2019 totaled $8.7 million and $8.5 million respectively. Deposits of related parties totaled $25.6 million and $20.2 million at December 31, 2020 and 2019, respectively. Subordinated debt held by related parties totaled $485 thousand and $519 thousand at December 31, 2020 and 2019, respectively.

The Corporation paid legal fees of $8 thousand and $16 thousand to a law firm of a director for the years ended December 31, 2020 and 2019, respectively.

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

The Corporation 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 Corporation'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 Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of the Corporation's financial instrument commitments at December 31, 2020 and 2019 is as follows:

(dollars in thousands)	**2020**	**2019**
Commitments to grant loans and commitments under lines of credit	$ 421,399	327,788
Letters of credit	8,928	9,750

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 Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation 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 Corporation 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 Corporation 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, 2020 and 2019 for guarantees under standby letters of credit issues is not material.

Not included in commitments to grant loans in the table above are mortgage loan commitments of $428.8 million and $72.9 million in 2020 and 2019, 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 Corporation 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 Corporation's loan commitments generally range between 30 and 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. To manage this risk, the Corporation either locks the rate with the investor purchasing the loan on a "best efforts" basis or economically hedges this risk for loans sold to investors on its mandatory sales 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, 2020 and 2019, the Corporation had a notional amount of $230.1 million and $62.8 million, respectively, related to commitments on the mandatory channel. At December 31, 2020 and 2019, the Corporation had best efforts forward sale commitments to sell loans amounting to $198.7 million and $18.6 million, respectively. The Corporation 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 Corporation'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, 2020 there were no indemnification or repurchase requests pending. Although repurchases and losses have historically been infrequent, a repurchase reserve of $2.7 million was recorded in 2020 due to the significant increase in loan originations. $71 thousand was recorded as of December 31, 2019. There was one loan repurchased for the year ended December 31, 2020 with an unpaid principle balance of $153 thousand.

(18) Recent Litigation

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of banking, employment, contract and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Corporation and its subsidiaries. In the ordinary course of business, the Corporation and its subsidiaries are also subject to regulatory and governmental examinations, information gathering requests, inquiries, investigations, and threatened legal actions and proceedings. In connection with formal and informal inquiries by federal, state, and local agencies, the Corporation and its subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their activities.

On November 21, 2017, three former employees of the mortgage-banking division of the Bank filed suit in the United States District Court for the Eastern District of Pennsylvania, *Juan Jordan et al. v. Meridian Bank, Thomas Campbell and Christopher Annas*, against the Bank purporting to be a class and collective action seeking unpaid and overtime wages under the Fair Labor Standards Act of 1938, the New Jersey Wage and Hour Law, and the Pennsylvania Minimum Wage Act of 1968 on behalf of similarly situated plaintiffs. In September 2019, plaintiffs' counsel and the Bank agreed to move forward with non-binding mediation. Although the Bank believes it had strong and meritorious defenses, given the expense and inconvenience of litigation, on July 24, 2019 through mediation, the Bank reached an agreement in principle with the plaintiffs to settle this litigation for $990 thousand in total. The Bank had a litigation reserve of $990 thousand at December 31, 2019. The parties submitted a negotiated settlement agreement to the court, and received final court approval on December 19, 2019. On February 29, 2020 the Bank made a payment of $1.0 million in final settlement of this matter, which included additional minor expenses.

(19) Regulatory Matters

The Bank and the Corporation are 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 Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and the Corporation must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's and the Corporation'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 and the Corporation 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, 2020, that the Bank and the Corporation meets all capital adequacy requirements to which it is subject.

Community banks have long raised concerns with bank regulators about the regulatory burden, complexity, and costs associated with certain provisions of the Basel III Rule. In response, Congress provided an “off-ramp” for institutions, like us, with total consolidated assets of less than $10 billion. Section 201 of the Regulatory Relief Act instructed the federal banking regulators to establish a single "Community Bank Leverage Ratio" (“CBLR”) of between 8 and 10%. Under the final rule, a community banking organization is eligible to elect the new framework if it has: less than $10 billion in total consolidated assets, limited amounts of certain assets and off-balance sheet exposures, and a CBLR greater than 9%.The bank regulatory agencies temporarily lowered the CBLR to 8% as a result of the COVID-19 pandemic. During the first quarter of 2020, the Bank adopted the community bank leverage ratio framework as its primary regulatory capital ratio, but reports all ratios for comparative purposes.

As of December 31, 2020, the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank’s category.

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

The Corporation’s and the Banks’s actual and required capital amounts and ratios under the CBLR rules at December 31, 2020 and the Basel III rules at December 31, 2019 are presented below.

	December 31, 2020			
	Actual		To Be Well Capitalized Under CBLR Framework	
(dollars in thousands)	Amount	Ratio	Amount	Ratio
Tier 1 capital (to average assets)				
Corporation	$ 134,564	8.96%	$ 120,082	8.00%
Bank	173,231	11.54%	120,080	8.00%

	December 31, 2019					
	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions *	
(dollars in thousands):	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Corporation	$ 166,471	16.10%	$ 108,576	10.50%	$ 103,405	10.00%
Bank	166,360	16.09%	108,571	10.50%	103,401	10.00%
Common equity tier 1 capital (to risk-weighted assets)						
Corporation	115,934	11.21%	72,384	7.00%	67,214	6.50%
Bank	154,881	14.98%	72,381	7.00%	67,211	6.50%
Tier 1 capital (to risk-weighted assets)						
Corporation	115,934	11.21%	87,895	8.50%	82,724	8.00%
Bank	154,881	14.98%	87,891	8.50%	82,721	8.00%
Tier 1 capital (to average assets)						
Corporation	115,934	10.55%	43,973	4.00%	54,966	5.00%
Bank	154,881	14.08%	44,013	4.00%	55,017	5.00%

* Prompt corrective action requirements do not apply to Meridian Corporation but are included as information only

(20) Fair Value Measurements and Disclosures

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities. 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 Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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

In accordance with this guidance, the Corporation groups its financial assets and financial liabilities 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, 2020 and 2019 are as follows:

	December 31, 2020			
(dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Securities available for sale:				
U.S. asset backed securities	$ 25,592	—	25,592	—
U.S. government agency mortgage-backed securities	4,046	—	4,046	—
U.S. government agency collateralized mortgage obligations	23,909	—	23,909	—
State and municipal securities	65,810	—	65,810	—
Corporate bonds	4,205	—	4,205	—
Equity investments	1,031	—	1,031	—
Mortgage loans held for sale	229,199	—	229,199	—
Mortgage loans held for investment	12,182	—	12,182	—
Interest rate lock commitments	6,932	—	—	6,932
Forward commitments	—	—	—	—
Customer derivatives - interest rate swaps	1,118	—	1,118	—
Total	$ 374,024	—	367,092	6,932
Liabilities				
Interest rate lock commitments	100	—	—	100
Forward commitments	1,572	—	1,572	—
Customer derivatives - interest rate swaps	1,219	—	1,219	—
	$ 2,891	—	2,791	100

	December 31, 2019			
(dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Securities available for sale:				
U.S. asset backed securities	$ 11,866	—	11,866	—
U.S. government agency mortgage-backed securities	5,497	—	5,497	—
U.S. government agency collateralized mortgage obligations	35,223	—	35,223	—
State and municipal securities	6,270	—	6,270	—
Investments in mutual funds	1,009	—	1,009	—
Mortgage loans held for sale	33,704	—	33,704	—
Mortgage loans held for investment	10,546	—	10,546	—
Interest rate lock commitments	504	—	—	504
Forward commitments	6	—	6	—
Customer derivatives - interest rate swaps	382	—	382	—
Total	$ 105,007	—	104,503	504
Liabilities				
Interest rate lock commitments	157	—	—	157
Forward commitments	119	—	119	—
Customer derivatives - interest rate swaps	431	—	431	—
	$ 707	—	550	157

Assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
(dollars in thousands)	Fair Value	Fair Value
Mortgage servicing rights	$ 4,647	446
SBA loan servicing rights	970	337
Impaired loans [(1)]	2,998	1,944
Other real estate owned [(2)]	—	120
Total	$ 8,615	2,847

(1) Impaired loans are those in which the Corporation 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.

(2) 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.

Below is management's estimate of the fair value of all financial instruments, whether carried at cost or fair value on the Corporation's balance sheet. The following information should not be interpreted as an estimate of the fair value of the entire Corporation since a fair value calculation is only provided for a limited portion of the Corporation'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 Corporation'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 Corporation'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 Held-for-Sale

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

(d) Loans Receivable

The fair value of loans receivable is 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 reflective of an exit price.

(e) Mortgage Loans Held-for-Investment

The fair value of mortgage loans held for investment is based on the price secondary markets are currently offering for similar loans using observable market data.

(f) Loan Servicing Rights

The Corporation estimates the fair value of mortgage servicing rights and SBA servicing rights using discounted cash flow models that calculate the present value of estimated future net servicing income. The model uses readily available prepayment speed assumptions for the interest rates of the portfolios serviced. These servicing rights are classified within Level 3 in the fair value hierarchy based upon management's assessment of the inputs. The Corporation reviews the servicing rights portfolios on a quarterly basis for impairment.

(g) Impaired Loans

Impaired loans are those in which the Corporation 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.

(h) 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.

(i) Accrued Interest Receivable and Payable

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

(j) 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.

(k) Short-Term Borrowings

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

(l) Long-Term Debt

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

(m) 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.

(n) 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.

(o) Derivative Financial Instruments

The fair value of forward commitments and interest rate swaps is based on market pricing and therefore are considered Level 2. Derivatives classified as Level 3 consist of interest rate lock commitments related to mortgage loan commitments. The determination of fair value includes assumptions related to the likelihood that a commitment will ultimately result in a closed loan, which is a significant unobservable assumption. A significant increase or decrease in the external market price would result in a significantly higher or lower fair value measurement.

The estimated fair values of the Corporation's financial instruments at December 31, 2020 and 2019 are as follows:

(dollars in thousands)	Fair Value Hierarchy Level	December 31, 2020 Carrying amount	December 31, 2020 Fair value	December 31, 2019 Carrying amount	December 31, 2019 Fair value
Financial assets:					
Cash and cash equivalents	Level 1	$ 36,744	36,744	39,371	39,371
Securities available-for-sale	Level 2	123,562	123,562	58,856	58,856
Securities held-to-maturity	Level 2	6,510	6,857	8,780	9,003
Equity investments	Level 2	1,031	1,031	1,009	1,009
Mortgage loans held for sale	Level 2	229,199	229,199	33,704	33,704
Loans receivable, net of the allowance for loan and lease losses	Level 3	1,272,582	1,289,776	954,164	973,057
Mortgage loans held for investment	Level 2	12,182	12,182	10,546	10,546
Interest rate lock commitments	Level 3	6,932	6,932	504	504
Forward commitments	Level 2	—	—	6	6
Restricted investment in bank stock	NA	7,861	NA	8,072	NA
Accrued interest receivable	Level 3	5,482	5,482	3,148	3,148
Customer derivatives - interest rate swaps	Level 2	1,118	1,118	382	382
Financial liabilities:					
Deposits	Level 2	1,241,335	1,392,500	851,168	880,400
Short-term borrowings	Level 2	106,862	106,862	123,676	123,678
Long-term debt	Level 2	165,546	168,000	3,123	3,123
Subordinated debentures	Level 2	40,671	38,375	40,962	40,962
Accrued interest payable	Level 2	1,154	1,154	1,088	1,088
Interest rate lock commitments	Level 3	100	100	157	157
Forward commitments	Level 2	1,572	1,572	119	119
Customer derivatives - interest rate swaps	Level 2	1,219	1,219	431	431

Off-balance sheet financial instruments:		Notional amount	Fair value	Notional amount	Fair value
Commitments to extend credit	Level 2	$ 421,399	6,932	327,788	504
Letters of credit	Level 2	8,928	—	9,750	—

The following table includes a rollforward of interest rate lock commitments for which the Corporation utilized Level 3 inputs to determine fair value on a recurring basis for the years ended December 31, 2020 and 2019.

	Year Ended December 31,	
	2020	2019
Balance at beginning of the period	$ 504	310
Increase in value	6,428	194
Balance at end of the period	$ 6,932	504

The following table details the valuation techniques for Level 3 interest rate lock commitments.

	Fair Value Level 3	Valuation Technique	Significant Unobservable Input	Range of Inputs	Weighted Average
December 31, 2020	$ 6,932	Market comparable pricing	Pull through	1 - 99 %	83.08 %
December 31, 2019	504	Market comparable pricing	Pull through	1 - 99	91.70

Net realized gains of $6.5 million and $78 thousand due to changes in the fair value of interest rate lock commitments which are classified as Level 3 assets and liabilities for the twelve months ended December 31, 2020 and 2019, respectively, are recorded in non-interest income as net change in the fair value of derivative instruments in the Corporation's consolidated statements of income.

(21) Derivative Financial Instruments

Risk Management Objective of Using Derivatives

The Corporation is exposed to certain risk arising from both its business operations and economic conditions. The Corporation principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Corporation manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Corporation enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Corporation's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Corporation's known or expected cash receipts and its known or expected cash payments principally related to the Corporation's loan portfolio.

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. Interest rate lock commitments and forward commitments are recorded within other assets/liabilities on the consolidated balance sheets, with changes in fair values during the period recorded within net change in the fair value of derivative instruments on the consolidated statements of income.

Customer Derivatives – Interest Rate Swaps

Derivatives not designated as hedges are not speculative and result from a service the Corporation provides to certain customers to swap a fixed rate product for a variable rate product, or vice versa. The Corporation executes interest rate derivatives with commercial banking customers to facilitate their respective risk management strategies. Those interest rate derivatives are simultaneously hedged by offsetting derivatives that the Corporation executes with a third party, such that the Corporation minimizes its net interest rate risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

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

		December 31, 2020		December 31, 2019	
(dollars in thousands)	**Balance Sheet Line Item**	**Notional Amount**	**Asset (Liability) Fair Value**	**Notional Amount**	**Asset (Liability) Fair Value**
Interest Rate Lock Commitments					
Positive fair values	Other assets	$ 406,422	6,932	47,660	504
Negative fair values	Other liabilities	22,406	(100)	22,663	(157)
Total		428,828	6,832	70,323	347
Forward Commitments					
Positive fair values	Other assets	—	—	4,500	6
Negative fair values	Other liabilities	218,000	(1,572)	58,250	(119)
Total		218,000	(1,572)	62,750	(113)
Customer Derivatives - Interest Rate Swaps					
Positive fair values	Other assets	20,979	1,118	3,271	382
Negative fair values	Other liabilities	20,979	(1,219)	3,271	(431)
Total		41,958	(101)	6,542	(49)
Total derivative financial instruments		$ 688,786	5,159	139,615	185

Interest rate lock commitments are considered Level 3 in the fair value hierarchy, while the forward commitments and interest rate swaps are considered Level 2 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,	
(dollars in thousands)	**2020**	**2019**
Interest Rate Lock Commitments	$ 6,485	77
Forward Commitments	(1,459)	63
Customer Derivatives - Interest Rate Swaps	(52)	(29)
Net fair value gains (losses) on derivative financial instruments	$ 4,974	111

Net realized losses on derivatives were $(9.4) million and $(816) thousand for the year ended December 31, 2020 and 2019, respectively, and are included in other non-interest income in the consolidated statements of income.

(22) Segments

ASC Topic 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 Corporation has applied the aggregation criterion set forth in this codification to the results of its operations.

Our Banking segment ("Bank") consists of commercial and retail banking. The Banking segment generates interest income from its lending (including leasing) and investing activities and is dependent on the gathering of lower cost deposits from its branch network or borrowed funds from other sources for funding its loans, resulting in the generation of net interest income. The Banking segment also derives revenues from other sources including gains on the sale of available for sale investment securities, service charges on deposit accounts, cash sweep fees, overdraft fees, BOLI income, title insurance fees, and other less significant non-interest income.

Meridian Wealth ("Wealth"), a registered investment advisor and wholly-owned subsidiary of the Bank, provides a comprehensive array of wealth management services and products and the trusted guidance to help its clients and our banking customers prepare for the future. The unit generates non-interest income through advisory fees.

Meridian's mortgage banking segment ("Mortgage") consists of one central loan production facility and several retail and profit sharing loan production offices located throughout suburban Philadelphia and Maryland. The Mortgage segment originates 1 – 4 family residential mortgages and sells nearly all of its production to third party investors. The unit generates net interest income on the loans it originates and holds temporarily, then earns fee income (primarily gain on sales) at the time of the sale. The unit also recognizes income from document preparation fees, changes in portfolio pipeline fair values and related net hedging gains (losses).

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

	Year Ended December 31, 2020				Year Ended December 31, 2019			
(Dollars in thousands)	Bank	Wealth	Mortgage	Total	Bank	Wealth	Mortgage	Total
Net interest income	$ 46,997	(48)	2,047	48,996	$ 36,019	65	252	36,336
Provision for loan losses	8,302	—	—	8,302	901	—	—	901
Net interest income after provision	38,695	(48)	2,047	40,694	35,118	65	252	35,435
Non-interest Income								
Mortgage banking income	1,632	—	74,829	76,461	268	—	25,741	26,009
Wealth management income	—	3,854	—	3,854	92	3,532	—	3,624
SBA income	2,572	—	—	2,572	1,401	—	—	1,401
Net change in fair values	(40)	—	9,185	9,145	(29)	—	518	489
Net (loss) on hedging activity	—	—	(9,400)	(9,400)	(21)	—	(795)	(816)
Other	3,524	14	748	4,286	1,835	—	351	2,186
Non-interest income	7,688	3,868	75,362	86,918	3,546	3,532	25,815	32,893
Non-interest expense	33,351	3,213	56,512	93,076	27,884	3,266	23,664	54,814
Income before income taxes	$ 13,032	607	20,897	34,536	$ 10,780	331	2,403	13,514
Total Assets	$ 1,488,312	5,479	226,406	1,720,197	$ 1,112,862	5,234	31,923	1,150,019

(23) Recent Accounting Pronouncements

As an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"), the Bank is permitted an extended transition period for complying with new or revised accounting standards affecting public companies. We will remain an emerging growth company until the earliest of (i) the end of the fiscal year during which we have total annual gross revenues of $1,070,000,000 or more, (ii) the end of the fiscal year following the fifth anniversary of the completion of our initial public offering (December 31, 2022), (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt and (iv) the end of the fiscal year in which the market value of our equity securities that are held by non-affiliates exceeds $700 million as of June 30 of that year. We have elected to take advantage of this extended transition period, which means that the financial statements included herein, as well as any financial statements that we file in the future, will not be subject to all new or revised accounting standards generally applicable to public companies for the transition period for so long as we remain an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period under the JOBS Act. If we do so, we will prominently disclose this decision in the first periodic report following our decision, and such decision is irrevocable. As a filer under the JOBS Act, we will implement new accounting standards subject to the effective dates required for non-public entities.

Adopted Pronouncements in 2020:

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

Issued in January 2017, ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. ASU 2017-01 is effective for public companies for annual periods beginning after December 15, 2017 including interim periods within those periods, while for non-public companies the ASU is effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The adoption of this standard on January 1, 2020 did not have a material impact on the Corporation's consolidated financial statements and related disclosures.

FASB ASU 2018-07, "Improvements to Nonemployee Share-Based Payment Accounting"

Issued in June 2018, ASU 2018-07: Compensation - Stock Compensation (Topic 718), "*Improvements to Nonemployee Share-Based Payment Accounting*" expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers.

The amendments in this update became effective for us January 1, 2020. The adoption did not have an impact on our consolidated financial statements and related disclosures as the Corporation did not and has not historically granted share based payment awards to nonemployees other than to the Corporation's Board of Directors, who are treated as employees for share-based payment accounting.

FASB ASU 2018-13, "Fair Value Measurement Disclosure Framework"

Issued in August 2018, ASU 2018-13 modifies, adds and removes certain disclosures aimed to improve the overall usefulness of the disclosure requirements for fair value measurements. ASU 2018-13 was effective for the Corporation on January 1, 2020. Adoption is required on both a prospective and retrospective basis depending on the amendment. The adoption of this ASU did not have a material impact on our consolidated financial statements and related disclosures.

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

Issued in March 2017, ASU 2017-08 shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendment requires the premium to be amortized to the earliest call date. The amendment does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. For non-public companies the ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within the fiscal years beginning after December 31, 2020. The adoption of ASU 2017-08 as of December 31, 2020 did not have a material impact on our consolidated financial statements and related disclosures as all debt securities are currently carried at par value with capitalized issuance costs.

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

Issued in August 2017, ASU 2017-12 better aligns hedge accounting with an organization's risk management activities in the financial statements. In addition, the ASU simplifies the application of hedge accounting guidance in areas where practice issues exist. Specifically, the proposed ASU eases the requirements for effectiveness testing, hedge documentation and application of the shortcut and the critical terms match methods. Entities would be permitted to designate contractually specified components as the hedged risk in a cash flow hedge involving the purchase or sale of nonfinancial assets or variable rate financial instruments. In addition, entities would no longer separately measure and report hedge ineffectiveness. Also, entities, may choose refined measurement techniques to determine the changes in fair value of the hedged item in fair value hedges of benchmark interest rate risk. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2019, and interim periods beginning after December 15, 2020. Early application is permitted in any interim period after issuance of the ASU for existing hedging relationships on the date of adoption and the effect of adoption should be reflected as of the beginning of the fiscal year of adoption (that is, the initial application date). The Corporation has evaluated ASU 2017-12, and has determined it has no current hedging strategies applicable under the ASU but we will consider the impact of the ASU on future hedging strategies that may arise. The adoption of ASU 2017-12 as of December 31, 2020 did not have a material impact on our consolidated financial statements and related disclosures.

Pronouncements Not Effective as of December 31, 2020:

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. This ASU requires businesses and other organizations to measure the current expected credit losses ("CECL") on financial assets, such as loans, net investments in leases, certain debt securities, bond insurance and other receivables. The amendments affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. Current GAAP requires an incurred loss methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred. The amendments in this ASU replace the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonableness and supportable information to inform credit loss estimates. An entity should apply the amendments through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (modified retrospective approach). Acquired credit impaired loans for which the guidance in Accounting Standards Codification (ASC) Topic 310-30 has been previously applied should prospectively apply the guidance in this ASU. A prospective transition approach is required for debt securities for which an other-than-temporary impairment has been recognized before the effective date. In October 2019, the FASB approved a delay for the implementation of the ASU. Accordingly, as an emerging growth company, the Corporation's effective date for the implementation of the ASU will be January 1, 2023. The Corporation is currently determining under which method we will adopt this ASU. The Corporation has assembled a cross-functional team from Finance, Credit, and IT that is leading the implementation efforts to evaluate the impact of this guidance on the Corporation's consolidated financial statements and related disclosures, internal systems, accounting policies, processes and related internal controls. At this time the Corporation cannot yet estimate the impact to the consolidated financial statements.

FASB ASU 2019-04, “Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments”

Issued in April 2019, ASU 2019-04 clarifies certain aspects of accounting for credit losses, hedging activities, and financial instruments (addressed by ASUs 2016-13, 2017-12, and 2016-01, respectively). The amendments to estimating expected credit losses (ASU 2016-13), in particular, how a company considers recoveries and extension options when estimating expected credit losses, are the most relevant to the Corporation. The ASU clarifies that (1) the estimate of expected credit losses should include expected recoveries of financial assets, including recoveries of amounts expected to be written off and those previously written off, and (2) that contractual extension or renewal options that are not unconditionally cancellable by the lender are considered when determining the contractual term over which expected credit losses are measured. Management will consider the impact of ASU 2019-04 when considering the impact of ASU 2016-13 as discussed above.

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. In June 2020, the FASB approved a delay for the implementation of the ASU. Accordingly, the amendments in this update are effective for the Corporation for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Under ASU 2016-02, the Corporation will recognize a right-of-use asset and a lease obligation liability on the consolidated statement of financial condition, which will increase the Corporation’s assets and liabilities. The Corporation is evaluating other potential impacts of ASU 2016-02 on its consolidated financial statements.

FASB ASU 2020-04 (Topic 848), “Reference Rate Reform (“ASC 848”): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”

Issued in March 2020, ASU 2020-04 contains optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The Corporation does not have a significant concentration of loans, derivative contracts, borrowings or other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The guidance under ASC-848 will be available for a limited time, generally through December 31, 2022. The Corporation expects to adopt the LIBOR transition relief allowed under this standard.

FASB ASU 2018-15 (Topic 350), "Intangibles - Goodwill and Other - Internal-Use Software"

Issued in August 2018, ASU 2018-15 provides clarity on capitalizing and expensing implementation costs for cloud computing arrangements in a service contract. If an implementation cost is capitalized, the cost should be recognized over the noncancellable term and periodically assessed for impairment. The guidance is effective in annual and interim periods in fiscal years beginning after December 15, 2020 and interim periods within annual periods beginning after December 15, 2021. Adoption should be applied retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Corporation does not expect the adoption of this ASU to have a material impact on our consolidated financial statements and related disclosures.

FASB ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes"

Issued in December 2019, ASU 2019-12 adds new guidance to simplify accounting for income taxes, changes the accounting for certain income tax transactions and makes minor improvements to the codification. The guidance is effective for annual periods beginning after December 15, 2020. Early adoption is permitted. Management has not yet determined what the impact of the adoption of this ASU will be on our consolidated financial statements and related disclosures.

FASB ASU 2020-06, "Debt With Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity"

This ASU clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments in this update reduce the number of accounting models for convertible debt instruments and convertible preferred stock by removing the cash conversion model and the beneficial conversion feature models. For public business entities that meet the definition of an SEC filer (excluding smaller reporting entities), the amendments are effective for fiscal years beginning after Dec. 15, 2021, and interim periods within. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2023, and interim periods within. Early adoption is permitted, but no earlier than for fiscal years beginning after Dec. 15, 2020.

(24) Parent Company Financial Statements

The condensed financial statements of the Corporation (parent company only) are presented below. These statements should be read in conjunction with the notes to the consolidated financial statements.

A. Condensed Balance Sheets

(dollars in thousands, except per share data)	**December 31, 2020**	**December 31, 2019**
Cash and due from banks	$ 213	148
Investments in subsidiaries	180,288	159,643
Other assets	360	40
Total assets	$ 180,861	159,831
Liabilities:		
Subordinated debentures	38,904	39,058
Accrued interest payable	6	78
Other liabilities	329	—
Total liabilities	39,239	39,136
Stockholders' equity:		
Common stock, $1 par value. Authorized 10,000,000 shares; issued 6,455,566 and 6,407,685 as of December 31, 2020 and December 31, 2019	6,456	6,408
Surplus	81,196	80,196
Treasury Stock- 320,000 and 3,375 shares at December 31, 2020 and December 31, 2019, respectively	(5,828)	(3)
Unearned common stock held by employee stock ownership plan	(1,768)	—
Retained earnings	59,010	34,097
Accumulated other comprehensive loss	2,556	(3)
Total stockholders' equity	141,622	120,695
Total liabilities and stockholders' equity	$ 180,861	159,831

B. Condensed Statements of Income

(dollars in thousands, except per share data)	Year ended December 31, 2020	2019
Dividends from Bank	$ 11,512	—
Net interest and other income	10	—
Total operating income	11,522	—
Interest expense	2,202	81
Income before equity in undistributed income of subsidiaries	9,320	(81)
Equity in undistributed income of subsidiaries	17,118	10,562
Income before income taxes	26,438	10,481
Income tax expense	—	—
Net income	26,438	10,481
Total other comprehensive income	2,559	387
Total comprehensive income	$ 28,997	10,868

C. Condensed Statements of Cash Flows

(dollars in thousands)	Year ended December 31, 2020	2019
Net income	$ 26,438	10,481
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in undistributed income of subsidiaries	(17,181)	(10,562)
Share-based compensation	232	—
(Decrease) increase in accrued interest payable	(72)	78
Increase in other assets	(320)	(40)
Increase in other liabilities	32	—
Net cash provided by (used in) operating activities	9,129	(43)
Cash flows from investing activities:		
Investment in subsidiaries	—	(38,804)
Net cash used in investing activities	—	(38,804)
Cash flows from financing activities:		
Net activity from subordinated debt	(231)	39,051
Net purchase of treasury stock through publicly announced plans	(5,703)	(62)
Dividends paid	(1,525)	—
Purchase of common shares for ESOP	(2,000)	—
Share based awards and exercises	395	6
Net cash (used in) provided by financing activities	(9,064)	38,995
Net change in cash and cash equivalents	65	148
Cash and cash equivalents at beginning of period	148	—
Cash and cash equivalents at end of period	$ 213	148

(25) Subsequent Events

Special Dividend

On February 16, 2021, the Corporation's Board of Directors declared a special dividend of $1.00 per share on its Common Stock, payable on March 15, 2021 to shareholders of record as of March 1, 2021.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures
None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of the Corporation's President/Chief Executive Officer and its Chief Financial Officer, evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures (as defined in Rule l3a-l5(e) and 15d-15(e) promulgated under the Exchange Act) as of December 31, 2020. Based on this evaluation, the Corporation's President /Chief Executive Officer and Chief Financial Officer have concluded, as of and for the end of the period covered by this report, that such disclosure controls and procedures were effective.

Design and Evaluation of Internal Control Over Financial Reporting

Pursuant to Section 404 of Sarbanes-Oxley, the following is a report of management's assessment of the design and effectiveness of our internal controls for the fiscal year ended December 31, 2020.

Management's Report on Internal Control Over Financial Reporting

The Corporation is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this Annual Report on Form 10-K. The consolidated financial statements and notes included in this Annual Report on Form 10-K have been prepared in conformity with United States generally accepted accounting principles and necessarily include some amounts that are based on Management's best estimates and judgments.

The Corporation's Management is responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with United States generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles; provide a reasonable assurance that receipts and expenditures of the Corporation are only being made in accordance with authorizations of Management and directors of the Corporation; and provide a reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation's assets that could have a material effect on the financial statements. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by Management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are noted.

Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management, including the Corporation's Chief Executive Officer and Chief Financial Officer, assessed the Corporation's system of internal control over financial reporting as of December 31, 2020, in relation to the criteria for effective control over financial reporting as described in "Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on this assessment, Management concludes that, as of December 31, 2020, the Corporation's system of internal control over financial reporting is effective. This annual report does not include an attestation report of the Corporation's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Corporation's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Corporation (as an Emerging Growth Company) to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

There was no change in the Corporation's internal control over financial reporting identified during the fourth quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 is incorporated by reference to information appearing in Meridian Corporation's definitive proxy statement to be used in connection with the 2021 Annual Meeting of Shareholders under the headings, "ELECTION OF DIRECTORS," "EXECUTIVE OFFICERS," "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE," "CODE OF ETHICS," "CORPORATE GOVERNANCE," and "AUDIT COMMITTEE."

Item 11. Executive Compensation

The information required by Item 11 is incorporated by reference to the information appearing in Meridian Corporation's definitive proxy statement to be used in connection with the 2021 Annual Meeting of Shareholders under the headings, "EXECUTIVE COMPENSATION," "SUMMARY COMPENSATION TABLE," "OUTSTANDING AWARDS AT FISCAL YEAR-END TABLE," "EXECUTIVE INCENTIVE, EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS," and "DIRECTOR COMPENSATION."

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

The information required by Item 12 is incorporated by reference to the information appearing in Meridian Corporation's definitive proxy statement to be used in connection with the 2021 Annual Meeting of Shareholders under the headings, "EQUITY COMPENSATION PLAN INFORMATION" and "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT."

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

The information required by Item 13 is incorporated by reference to the information appearing in Meridian Corporation's definitive proxy statement to be used in connection with the 2021 Annual Meeting of Shareholders under the headings, "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" and "DIRECTOR INDEPENDENCE."

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated by reference to the information appearing in Meridian Corporation's definitive proxy statement to be used in connection with the 2021 Annual Meeting of Shareholders under the heading, "PROPOSAL TO RATIFY THE APPOINTMENT OF CROWE LLP AS THE CORPORATION'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2021."

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

vii. Consolidated Balance Sheets

viii. Consolidated Statements of Income

ix. Consolidated Statements of Comprehensive Income

x. Consolidated Statements of Changes in Stockholders' Equity

xi. Consolidated Statements of Cash Flows

xii. Notes to Consolidated Financial Statements

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

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

Exhibit Number	Description
2.1	Plan of Merger and Reorganization dated April 26, 2018 by and between Registrant, Bank and Meridian Interim Bank, filed as Exhibit 2.1 to Form 8-K on August 24, 2018 and incorporated herein by reference.
3.1	Articles of Incorporation of Registrant, filed as Exhibit 3.1 to Form 8-K on August 24, 2018 and incorporated herein by reference.
3.2	Bylaws of Registrant, filed as Exhibit 3.2 to Form 8-K on August 24, 2018 and incorporated herein by reference.
4.1	Description of Capital Securities, filed herewith
4.2	Indenture, dated as of December 18, 2019, between Meridian Corporation, as Issuer, and U.S. Bank National Association, as Trustee, incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed with the SEC on December 18, 2019.
4.3	Form of 5.375% Subordinated Note due 2029 (included as Exhibit A-1 and Exhibit A-2 to the Indenture incorporated by reference as Exhibit 4.2 hereto), filed with the SEC on December 18, 2019.
10.1	Meridian Bank 2016 Equity Incentive Plan, filed as Exhibit 10.1 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017 and incorporated herein by reference.
10.2	Employment Agreement between Meridian Bank and Christopher Annas, effective April 11, 2019, filed as Exhibit 10.1 to Form 8-K on April 11, 2019 and incorporated herein by reference.
10.3	Amendment to Meridian Corporation Supplemental Executive Retirement and Deferred Compensation Plan, filed as Exhibit 10.1 to Form 8-K on March 12, 2020 and incorporated herein by reference.
10.4	Meridian Bank Employee Stock Ownership Plan, filed as Exhibit 10.4 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017 and incorporated herein by reference.
10.5	Employment Agreement between Meridian Bank and Denise Lindsay, effective July 23, 2018, filed as Exhibit 10.2, to Form 8-K with the FDIC on July 23, 2018, filed herewith.
10.6	Meridian Bank 2004 Stock Option Plan, as amended June 15, 2006 and incorporated herein by reference.
10.7	Change in Control Agreement between Meridian Bank and Joseph Cafarchio, effective July 23, 2018, filed as exhibit 10.1, to Form 8-K with the FDIC on July 23, 2018, filed herewith.
10.8	Change in Control Agreement between Meridian Bank and Charlie Kochka, effective July 23, 2018, filed as exhibit 10.1, to Form 8-K with the FDIC on July 23, 2018, filed herewith.
21.1	List of Subsidiaries, filed herewith
31.1	Rule 13a-14(a)/ 15d-14(a) Certification of the Principal Executive Officer, filed herewith.
31.2	Rule 13a-14(a)/ 15d-14(a) Certification of the Principal Financial Officer, filed herewith.
32	Section 1350 Certifications, filed herewith
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Definition Document.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).*

Item 16. Form 10-K Summary

None.

SIGNATURES

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

Meridian Bank

Date: March 29, 2021

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

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

Date: March 29, 2021	By: /s/ Christopher J. Annas Christopher J. Annas, Chairman of the Board
Date: March 29, 2021	By: /s/ Denise Lindsay Denise Lindsay, Director, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
Date: March 29, 2021	By: /s/ Robert M. Casciato Robert M. Casciato, Director
Date: March 29, 2021	By: /s/ George C. Collier George C. Collier, Director
Date: March 29, 2021	By: /s/ Robert T. Holland Robert T. Holland, Director
Date: March 29, 2021	By: /s/ Edward J. Hollin Edward J. Hollin, Director
Date: March 29, 2021	By: /s/ Anthony M. Imbesi Anthony M. Imbesi, Director
Date: March 29, 2021	By: /s/ Kenneth H. Slack Kenneth H. Slack, Director

Exhibit 4.1

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following summarizes the terms and provisions of certain securities of Meridian Corporation's (the "Corporation"). The common stock of the Corporation is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended. The following summary does not purport to be complete and is qualified in its entirety by reference to the Corporation's Articles of Incorporation (the "Articles") and Bylaws (as amended, the "Bylaws"), which are filed as exhibits to this Annual Report on Form 10-K and are incorporated by reference herein.

Authorized Capital

Our Articles of Incorporation authorize us 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. Our 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. Our board of directors could issue preferred stock, or additional shares of common stock, at any time.

Common Stock

Voting

The holders of shares of our common stock have the right to elect our 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 our 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 our 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.

Trading

Our common stock trades on the NASDAQ Stock Market under the symbol "MRBK."

Dividends

Our board of directors has the authority to declare dividends on its common and preferred stock, subject to statutory and regulatory requirements. Because a decision by our board of directors to declare and pay cash dividends will depend upon the future financial performance and condition of the Bank and the Registrant, no assurances can be given that 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.

Liquidation Preferences

In the event of a liquidation, dissolution or winding up of the holding company, the holders of our common stock are entitled to share ratably in all assets remaining after payment of all liabilities.

Anti-Takeover Effects

The following description of certain provisions of our Articles of Incorporation and Bylaws, which may be considered to be anti-takeover in effect. These provisions also could delay or frustrate the removal of incumbent directors or the assumption of control by shareholders

Authorized Capital; No Preemptive Rights. The number of authorized common and preferred shares, and the granting of authority to our board of directors to determine the terms of any common or preferred stock or other securities issued, are intended to give our 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. Our 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 alter such divestiture the shareholder would no longer be in violation of the restriction contained in Section I 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 tor 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 our 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.

Our board of directors could use this authority to discourage future attempts to gain control over the holding company.

Acquisition Offers. Our Articles of Incorporation provide that our 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 tor 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 our 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 or common stock of the holding company.

Our board of directors could use this authority to discourage future attempts to gain control over the holding company.

Classified Board. Our Bylaws 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.

Exhibit 10.5

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is effective as of the 1st day of July, 2018, between Meridian Bank, a Pennsylvania banking institution, **(**"Bank") and Denise Lindsay, an individual residing in Pennsylvania ("Executive") (Sometimes Bank and Executive are hereafter each referred to as a "Party" and together as the "Parties.")

WHEREAS, Executive has been and continues to be a valued employee of the Bank; and

WHEREAS, heretofore Executive has not had a written employment contract with Employer; and

WHEREAS, Executive acknowledges that this Agreement gives her substantial rights she previously did not have an as employee of the Bank.

NOW, THEREFORE, in consideration of the forgoing and of the mutual promises and covenants contained herein, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound,agree as follows:

1. **Employment.** The Bank hereby employs the Executive and the Executive hereby accepts employment with the Bank, under the terms and conditions set forth in this Agreement.

2. **Duties of Executive.** Executive shall serve as the Chief Financial Officer of the Bank, reporting to the Chief Executive Officer ("CEO"). Executive shall have such other duties and hold such other titles as may be provided by the bylaws of the Bank and as may be given to her from time to time by the CEO provided that such duties are consistent with the Executive's position as Chief Financial Officer of the Bank. The Executive's principal place of employment shall be at the Bank's Malvern, Pennsylvania offices, except for travel to other locations as part of her duties.

3. **Engagement in Other Employment**. Executive shall devote all of her working time, ability and attention to the business of the Bank during the term of this Agreement. Executive shall not be precluded, however, from engaging in activities designed to maintain and improve her professional skills, from engaging in activities incident or necessary to personal investments, or engaging in activities involving charitable, educational, religious and similar type organizations, speaking engagements, or membership on the board of directors of other organizations, so long as they are, in the Board's reasonable opinion, not in conflict with or detrimental to Executive's rendition of services on behalf of the Bank and/or any of its subsidiaries or affiliates.

4. <u>Term of Agreement</u>.

(a) Executive's employment, unless terminated as otherwise provided for in this Agreement, shall be for a two (2) year period, beginning on the date first written above (the "Effective Date"), and ending on June 30, 2020 (the "Initial Term"). Her employment shall continue after the Initial Term for successive two-year periods (each a "Renewal Term"), unless either Party notifies the other Party of non- renewal in writing at least three (3) months before the expiration of either the Initial Term or a Renewal Term or unless her employment is terminated as otherwise provided for in this Agreement . (Sometimes hereafter the Initial Term and each Renewal Term are collectively referred to as the "Employment Period.") It is the intention of the Parties that this Agreement be "evergreen" unless (i) either Party gives written notice to the other Party of her or its intention not to renew this Agreement as provided above or (ii) it is terminated as otherwise permitted in this Agreement.

(b) Notwithstanding any provision to the contrary elsewhere in this Agreement, at the Bank's discretion, Executive's employment shall terminate automatically for Cause (as defined herein) upon written notice from the Board of Directors to Executive. As used in this Agreement, "Cause" shall mean any of the following:

(i) Executive's conviction of or plea of guilty or nolo contendere to a felony, a crime of falsehood or the actual incarceration of Executive for a period of thirty (30) consecutive days or more;

(ii) Executive's removal or prohibition from being an institutional-affiliated party by a final order of an appropriate federal or state banking agency;

(iii) unlawful harassment by Executive against employees, customers, business associates, contractors, or vendors of the Bank which results or may be reasonably expected to resultin material liability to the Bank, following a good faith investigation of the claims by the Bank or its third party agent;

(iv) the receipt of any final cease and desist order issued by a bank regulatory authority to the Executive or such authority orders in writing that the Bank terminate the employment of the Executive with the Bank or relieve her of her material duties hereunder;

(v) any material act of fraud, misappropriation, or embezzlement by Executive which causes harm to the Bank;

(vi) the gross negligence of the Executive in connection with the performance of her material duties for the Bank;

(vii) the failure, following written notice and a reasonable cure period, of the Executive to follow the instructions of the chief executive officer of the Bank, provided such instructions are also lawful and consistent with the duties of a chief financial officer; or

(viii) a breach by Executive of any material provision of this Agreement (including, but not limited to, the breach of that section hereof entitled "Unauthorized Disclosure"), after written notice thereof and a 30-day opportunity to cure in the event that such breach was not willful.

If Executive is terminated for Cause, all of Executive's rights under this Agreement shall cease as of the effective date of such termination except as may be expressly provided for otherwise in this Agreement or as required by law.

(c) Notwithstanding the provisions of Section 4(a) of this Agreement, this Agreement shall terminate automatically upon Executive's resignation from employment for Good Reason. The term "Good Reason" shall mean (after the passage of the below cure period for the Bank and no such cure having occurred) (i) any diminution of Executive's title, authority, reporting relationship, duties or responsibilities, or the assignment to the Executive of duties inconsistent with Executive's status as Chief Financial Officer, (ii) a reassignment which requires Executive to move her principal residence or her office more than thirty-five (35) miles from the Bank's principal executive office (presently in Malvern, PA), (iii) any removal of Executive from office or any adverse change in the terms and conditions of Executive's employment as provided in this Agreement, except for any termination of Executive's employment under the provisions of Section 4(b) hereof, (iv) any reduction in Executive's Annual Base Salary as in effect on the date hereof or as the same may be increased from time to time, (v) any failure of Bank to provide Executive with benefits at least as favorable as those enjoyed by Executive during the Employment Period under any of the pension, life insurance, medical, health and accident, disability, supplemental executive retirement or other employee plans of Bank, or the taking of any action that would materially reduce any of such benefits unless such reduction is part of a reduction applicable to all employees, or (vi) any other material breach of this Agreement by the Bank.

Executive shall within ninety (90) days of the initial existence of any of the foregoing events, provide notice to Bank of the existence of the condition and provide Bank forty five (45) days in which to cure such condition. In the event that Bank does not cure the condition to the reasonable satisfaction of Executive within forty five (45) days of such notice, Executive may resign from employment with the Bank for Good Reason. If such termination occurs for Good Reason, then Executive shall be entitled to receive a lump sum payment equal to two (2) times Executive's Agreed Compensation minus applicable withholdings and taxes and a lump sum contribution equal to two (2) times the annual contribution into the Executive's supplemental retirement plan within thirty (30) days of such termination. In addition, for a period of one (1) year from the date of termination of employment, or until Executive secures substantially similar benefits through other employment, whichever shall first occur, Executive shall receive a continuation of all life, disability, medical insurance and other normal health and welfare benefits in effect with respect to Executive during the year prior to her termination of employment, or, if Bank cannot provide such benefits because Executive is no longer an employee, the Bank shall reimburse Executive in an amount equal to the monthly premium paid by her to obtain substantially similar employee benefits which she enjoyed prior to termination for one year from the date of termination. Subject to Section 12(a), in the event that the Bank or its successor terminates a benefit plan in which the Executive participates and as a result the Executive is subject to accelerated taxation or taxation at a higher rate than she would have been had the plan not been accelerated, Bank or its successor shall pay Executive an additional cash payment in an amount such that the after-tax proceeds of such payment will be equal to the additional taxes imposed upon the Executive as a result of the termination of the plan.

(d) Notwithstanding anything that may appear to the contrary elsewhere herein, in the event that Executive terminates her employment without Good Reason as defined in Section 4(c), all of Executive's rights under this Agreement shall cease as of the effective date of such termination, except for the rights under Section 25 hereof with respect to arbitration.

(e) Notwithstanding the provisions of Section 4(a) of this Agreement, this Agreement shall terminate automatically upon Executive's Disability and Executive's rights under this Agreement shall cease as of the date of such termination; provided, however, that Executive shall nevertheless be entitled to receive an amount equal to seventy percent (70%) of the Executive's then current Annual Base Salary as defined in subsection (a) of Section 5, less amounts payable under any disability plan of Bank, until the earliest of (i) Executive's return to employment, (ii) her death, or (iii) the end of her duration of benefits period under any then-existing Bank provided disability policy applicable to her or, if no such policy exists on the date of her Disability, the end of the then existing Employment Period. In addition, Executive shall receive for such same period (ie: the earliest of (i), (ii) or (iii) immediately above) a continuation of medical insurance in effect with respect to Executive during the year prior to her D isability, or, if Bank cannot provide such benefits because Executive is no longer an employee, Bank shall reimburse Executive in an amount equal to the monthly premium paid by her to obtain substantially similar employee benefits which she enjoyed prior to termination. Executive shall also receive the benefits described in Section 5(e), 5(h) and 5(i) of this Agreement for such same period to the extent permissible under the applicable plan. Executive's bonus under Section 5(b) shall be pro-rated at target for the portion of the year for which Executive did not suffer from a disability. For purposes of this Agreement, the Executive shall have a Disability if Executive: (i) 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 continuousperiod of not less than twelve (12) months; or (ii) 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 continuousperiod of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees or directors of the Bank. Medical determination of Disability may be made by either the Social Security Administration or by the provider of disability insurance covering employees or directors of the Bank provided that the definition of "disability" applied under such insurance program complies with the requirements of the preceding sentence. Upon the request of the Bank, the Executive must submit proof to the Bank of the Social SecurityAdministration's or the provider's determination. The Executive shall have no duty to mitigate any payment provided for in this Section 4(e) by seeking other employment.

(f) The term "Agreed Compensation" shall equal the sum of (A) the Executive's Annual Base Salary immediately preceding Executive's termination and (B) the average value of Executive's annual bonuses (cash and stock) when received within the two (2) calendar years immediately preceding Executive's termination.

5. **Employment Period Compensation.** During the Employment Period, Executive shall be compensated as follows:

(a) Annual Base Salary. The Bank shall pay Executive an Annual Base Salary at the rate of not less than $225,000 per year, minus applicable withholdings and deductions, payable at the same times as salaries are payable to other executive employees of the Bank. This Annual Base Salary shall be reviewed annually by the Bank's compensation committee based upon the Executive's performance reviews and shall be subject to increase each year with the adjustment being effective on the anniversary date of this Agreement; provided, however, that in no event shall the Annual Base Salary be less than the Annual Base Salary earned during the prior contract year. Any and all such increases shall be deemed to constitute amendments to this Section 5(a).

(b) Bonus. Executive shall be entitled to a target bonus equal to thirty percent (30%) of her Annual Base Salary based on annual performance objectives as are established by the CEO in consultation with the Executive. The amount of the bonus and the level of the annual performance objectives shall be determined by the CEO, based upon recommendation of the Bank's compensation committee using peer group performance measures. The actual bonus paid may be in excess of target basedupon Executive's attainment of goals and objectives. Inaddition, the CEO may also grant Executive additional bonuses at the CEO's discretion.

(c) Paid Vacation. Executive shall be entitled to at least four (4) weeks paid vacation in accordance with the manner and amount provided under the paid vacation plan then in effect and approved by the Board of Directors.

(d) Professional Memberships and Education. The Bank shall pay Executive's annual professional memberships and continuing education requirements for licensing/certifications that are consistent with the Executive's position as Chief Financial Officer.

(e) Employee Benefit Plans. Executive shall be entitled to participate in or receive the benefits of any employee benefit plan currently in effect at the Bank in the same manner and contribution level as established for other executive officers of the Bank, subject to the terms of said plan, until such time that the Board of Directors of the Bank authorizes a change in such benefits. The Bank shall not make any changes in such plans or benefits which would adversely affect Executive's benefits, unless such change occurs pursuant to a program applicable to all executive officers of the Bank and does not result in a proportionately greater adverse change in the rights of or benefits to Executive as compared with any other executive officer of the Bank. Nothing paid to Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary payable to Executive pursuant to Section 5(a) hereof.

(f) Expenses. Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred in carrying out her duties under this Agreement, which are properly accounted for, in accordance with the policies and procedures established by the Board of Directors for its executive officers. The Bank shall also reimburse the Executive for all attorneys' fees and other charges of counsel reasonably incurred by 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 Bank, up to the amount of $5,000.

(g) Automobile. The Bank shall provide Executive with an automobile allowance of $300.00 per month to reimburse Executive for automobile usage for business purposes. In addition, the Bank shall reimburse the Executive for the miles for which she travels for business purposes in accordance with the standard mileage rate as determined by the Internal Revenue Service.

(h) Supplemental Executive Retirement Deferred Compensation Plan. The Bank agrees to provide Executive with the Supplemental Executive Retirement Deferred Compensation Plan, adopted by the Bank effective January 1, 2009, at a target of 25% of final three (3) years annual salary, while such Plan is in effect.

(i) Supplemental Life Insurance. The Bank agrees to provide Executive with the Supplemental Life Insurance adopted by the Bank in 2014 while such benefit is in effect.

(j) Equity Incentive Plan. Executive shall be entitled to participate in any equity incentive plan of the Bank in which she is eligible to participate and atleast to the same extent as other similarly-situated C-level executives of the Bank.

6. Termination of Employment Following Change in Control.

(a) If a Change in Control (as defined in Section 6(b) of the Agreement) shall occur and Executive's employment is terminated by the Bank without Cause or by the Executive for Good Reason within two years of the Change in Control, Executive shall be entitled to the benefits provided in Section 7 of this Agreement.

(b) As used in this Agreement, "Change in Control" shall mean:

(i) any "person" or more than one person acting as a group (as such term is defined in Section 409A of the Code and any Internal Revenue Guidance and regulations under Section 409A of the Code), other than the Bank or any "person" who on the date hereof is a director or officer of the Bank, acquires ownership of stock of the Bank, together with stock held by such person constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Bank; or

(ii) any "person" or more than one person acting as a group (as such term is defined in Section 409A of the Code and any Internal Revenue Guidance and regulations under Section

409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Bank possessing thirty-five percent (35%) or more of the total voting power of the stock of the Bank; or

(iii) during any period of one (1) year during this Agreement, individuals who at the beginning of such period constitute the Board of Directors of the Bank cease for any reason to constitute at least a majority thereof;

provided, however, that the reorganization of the Bank into a bank holding company structure shall not, by itself, constitute a Change in Control

7. **<u>Rights in Event of Change in Control</u>.**

(a) If a Change in Control occurs and Executive's employment is terminated by the Bank without Cause or by the Executive for Good Reason within two years of the Change in Control, Executive shall be entitled to receive a lump sum payment equal to two (2) times Executive's Agreed Compensation minus applicable withholdings and taxes and a lump sum contribution equal to two (2) times the annual contribution into the Executive's supplemental retirement plan within thirty (30) days of such termination. In addition, for a period of one year from the date of termination of employment, Executive shall receive a continuation of all life, disability, medical insurance and other normal health and welfare benefits in effect with respect to Executive during the year prior to her termination of employment, or, if Bank cannot provide such benefits because Executive is no longer an employee, the Bank shall reimburse Executive in an amount equal to the monthly premium paid by her to obtain substantially similar employee benefits which she enjoyed prior to termination for one (1) year from the date of termination.

(b) Subject to Section 12(a) below, in the event that the Bank or its successor terminates a benefit plan in which the Executive participates and as a result the Executive is subject to accelerated taxation or taxation at a higher rate than she would have been had the plan not been accelerated, Bank or its successor shall pay Executive an additional cash payment in an amount such that the after-tax proceeds of such payment will includethe value of the additional taxes imposed upon the Executive as a result of the termination of the plan. [If Executive does not, in fact, incur such higher tax obligation (such as she "rolls over" the subject monies, soproperly avoiding a taxable event), then no such added payment shall be due to her.]

8. Rights in Event of Termination of Employment Absent Change in Control.

(a) In the event that Executive's employment is involuntarily terminated by the Bank without Cause and no Change in Control shall have occurred at the date of such termination, then the Bank shall, in a lump sum payment, pay Executive an amount equal to two (2) times the Executive's Agreed Compensation, minus applicable withholdings and taxes, and a lump sum contribution equal to two (2) times the annual contribution into the Executive's supplemental retirement plan within thirty (30) days of such termination. In addition, for a period of one year from the date of termination of employment, or until Executive secures substantially similar benefits through other employment, whichever shall first occur, Executive shall receive a continuation of all life, disability, medical insurance and other normal health and welfare benefits in effect with respect to Executive during the year prior to her termination of employment, or, if Bank cannot provide such benefits because Executive is no longer an employee, the Bank shall reimburse Executive in an amount equal to the monthly premium paid by her to obtain substantially similar employee benefits which she enjoyed prior to termination for one year from the date of termination.

(b) Subject to Section 12(a) (below), in the event that the Bank or its successor terminates a benefit plan in which the Executive participates and as a result the Executive is subject to accelerated taxation or taxation at a higher rate than she would have been had the plan not been accelerated, Bank or its successor shall pay Executive an additional cash payment in an amount such that the after-tax proceeds of such payment will include the value of the additional taxes imposed upon the Executive as a result of the termination of the plan.

9. **Rights in the Event of Non-Renewal**. In the event that this Agreement is not renewed by the Bank and Executive terminates employment within thirty (30) days of receipt of written notice of non-renewal pursuant to Section 4(a) of this Agreement, Executive shall be entitled to a lump sum payment of one (1) times her Agreed Compensation within thirty (30) days of termination of employment. This payment shall be in addition to any other payment or benefits due to the Executive under this Agreement. In addition, for a period of one year from the date of termination of employment, or until Executive is covered under a new Employer's benefit plans offering a comparable level of benefits, whichever is shorter, Executive shall receive a continuation of all life, disability, medical insurance and other normal health and welfare benefits in effect with respect to Executive during the year prior to her termination of employment, or, if Bank cannot provide such benefits because Executive is no longer an employee, the Bank shall reimburse Executive in an amount equal to the monthly premium paid by her to obtain substantially similar employee benefits which she enjoyed prior to termination for one (1) year from the date of termination.

10. **Insurance; Outplacement Services**. In any event for which any severance cash payments are to be paid to the Executive by the Bank pursuant to Sections 4, 6, 7, 8, or 9 of this Agreement above, the Executive shall also receive from the Bank, (i) directors' and officers' liability insurance tail coverage (hereinafter referred to

as "D&O Tail Coverage"), for liability coverage for all acts, omissions, events and occurrences, taking place while the Executive was employed by the Bank, and such D&O Tail Coverage shall remain in effect until the statutes of limitations for all possible claims against the Executive, have expired; and (ii) outplacement services which cost the Bank not more than Fifteen Thousand Dollars ($15,000).

11. <u>Code Section 409A</u>

(a) Any payments made pursuant to this Agreement, to the extent of payments made from the date of termination through March 15th of the calendar year following such date, are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) and thus payable pursuant to the "short-term deferral" rule set forth in Treas. Reg. §1.409A-1(b)(4); to the extent such payments are made following said March 15th, they are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) made upon an involuntary termination from service and payable pursuant to Treas. Reg. §1.409A-1(b)(9)(iii), to the maximum extent permitted by said provision. In no event may the Executive, directly or indirectly, designate the calendar year of any payment under this Agreement.

(b) The parties hereto intend that any and all post-employment compensation under this Agreement satisfy the requirements of Section 409A or an exception or exclusion therefrom to avoid the imposition of any accelerated or additional taxes pursuant to Section 409A. Any terms not specifically defined shall have the meaning as set forth in Section 409A.

(c) If when Executive's employment terminates, Executive is a "specified employee," as defined in Code Section 409A(a)(2)(B)(i), then despite any provision of this Agreement or other plan or agreement to the contrary, Executive will not be entitled to the payments until the earliest of: (a) the date that is at least six months after Executive's Separation from Service (as defined in Code section 409A) for reasons other than Executive's death, (b) the date of Executive's death, or (c) any earlier date that does not result in additional tax or interest to Executive under Code Section 409A. As promptly as possible after the end of the period during which payments are delayed under this provision, the entire amount of the delayed payments shall be paid to Executive in a single lump sum with any remaining payments to commence in accordance with the terms of this Agreement or other applicable plan or agreement.

(d) Notwithstanding the foregoing, no payment shall be made pursuant to this Agreement unless such termination of employment is a "Separation from Service" as defined in Code Section 409A.

(e) To the extent required to avoid accelerated taxation and/or tax penalties under Code Section 409A, amounts reimbursable to Executive under this

Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Executive) during one year may not affects amount reimbursable or provided in any subsequent year.

(f) It is the intent of the Bank and Executive that this Agreement and all of its provisions shall legally comply with Internal Revenue Code Section 409A and all applicable regulations. If this Agreement does not comply with Internal Revenue Code Section 409A and all applicable regulations, then this Agreement shall be automatically amended, but only to the extent reasonably necessary, to legally comply with Code Section 409A and all applicable regulations in making any payments to Executive hereunder. Other than as set forth in the previous sentence, Executive understands and agrees that Executive shall be solely responsible for the payment of any taxes, penalties, interest or other expenses incurred by Executive on account of non-compliance with Code Section 409A.

12. **Limitations on Payments**.

(a) Notwithstanding anything in this Agreement to the contrary, in the event the payments and benefits payable hereunder to or on behalf of Executive (which the parties agree will not include any portion of payments allocated to the non-compete provisions of Section 14 which are classified as payments of reasonable compensation equal to at least one year of Executive's Agreed Compensation for purposes of Section 280G ofthe Code), when added to all other amounts and benefits payable to or on behalf of Executive, would result in the imposition of an excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the amounts and benefits payable hereunder shall be reduced to such extent as may be necessary to avoid such imposition. All calculations required to be made under this subsection will be made bythe Bank's independent public accountants, subject to the right of Executive's representative to review the same. The parties recognize that the actual implementation of the provisions of this subsection are complex and agree to deal with each other in good faith to resolve any questions or disagreements arising hereunder.

(b) All payments made to the Executive pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with applicable laws and any regulations promulgated hereunder, including, but not limited to 12 C.F.R. Part 359.

13. **Mitigation**. Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The amount of payment or the benefit provided for in this Agreement shall not be reduced by any compensation earned by Executive as

the result of employment by another employer or by reason of Executive's receipt of or right to receive any retirement or other benefits after the date of termination of employment or otherwise.

14. Covenant Not to Compete.

(a) Executive hereby acknowledges and recognizes the highly competitive nature of the business of the Bank and accordingly agrees that, during and for one (1) year from the date of her emplo ym ent termination, Executive shall not, except as otherwise permitted in writing by the Bank:

(i) be engaged, directly or indirectly, either for her own account or as agent, consultant, employee, partner, officer, director, proprietor, investor (except as an investor owning less than 5% of the stock of a publicly owned company) or otherwise by or for any person, firm, corporation or enterprise that competes with the Bank or any of its then operating affiliates within a twenty-five (25) mile radius of the Bank's then headquarters location (which presently is 9 Old Lancaster Avenue, Malvern, PA); or

(ii) directly or indirectly solicit persons or entities who a r e customers or referral sources of the Bank or (after Executive's termination) were so within one year of her termination, to become customer or referral source of a person or entity other than the Bank; or

(iii) directly or indirectly solicit employees of the Bank who are so employed or (after Executive's termination) were so employed within one year of her termination, to work for anyone other than the Bank.

(b) It is expressly understood and agreed that, although Executive and the Bank consider the restrictions contained in Section 14(a) hereof reasonable for the purpose of preserving for the Bank its goodwill and other proprietary rights, if a final judicial determination is made by a court having jurisdiction that the time or territory or any other restriction contained in Section 14(a) hereof is an unreasonable or otherwise unenforceable restriction against Executive, the provisions of S e c t i o n 14(a) hereof shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such other extent as such court may judicially determine or indicate to be reasonable. Furthermore, Executive agrees that the promises of the Bank set forth in this Agreement constitute good, valid and sufficient consideration for her promises contained in this Section 14 (entitled "Covenant Not to Compete").

(c) Notwithstanding anything to the contrary elsewhere in this Agreement, should Bank simply not renew Executive's Employment Agreement, or should Bank terminate Executive's employment without Cause or should Executive terminate her employment for Good Reason, then the post-employment length of her above non-compete period shall be reduced from one year to 6 months from the date her employment ends.

15. **Unauthorized Disclosure.** During her employment with the Bank, and at any later time, Executive shall not use or disclose to any person other than an employee of the Bank or a person to whom disclosure is also reasonably necessary and appropriate in connection with the performance by Executive of her duties as an employee of the Bank, any material confidential information obtained by her while in the employ of the Bank with respect to any of the Bank's services, products, improvements, formulas, finances, designs or styles, processes, customers, methods of business or any business practices the disclosure of which could be or will be damaging to the Bank; provided, however, that confidential information shall not include any information: (a) that was properly disclosed by a duly authorized and properly acting bank employee as part of the Bank's legally required public company disclosure obligations; (b) that entered the public domain subsequent to the time it was disclosed to Executive through no fault, act or omission of Executive; (c) that becomes known generallyto the public (other than as a result of unauthorized disclosure by Executive or any person with the assistance, consent or direction of Executive); or (d) any information that must be disclosed as required by law (with Executive, when legally permitted, providing Bank with reasonable prior notice of such intended required legal disclosure to enable the Bank to potentially challenge same). Executive acknowledges that legally protected consumer/customer information shall remain confidential information at all times as required by law. Executive may retain copies of her Employment Agreement, and information about her benefits and performance.

16. **Work Made for Hire.** Any work performed by Executive under this Agreement should be considered a "Work Made for Hire" as the phrase is defined by the U.S. copyright laws and shall be owned by and for the express benefit of the Bank. In the event it should be established that such work does not qualify as a Work Made for Hire, Executive agrees to and does hereby assign to the Bank all of her rights, title, and/or interest in such work product, including, but not limited to, all copyrights, patents, trademarks, and propriety rights.

17. **Return of Company Property and Documents.** Executive agrees that, at the time of termination of her employment, regardless of the reason for termination, she will deliver to the Bank any and all Bank property (including of any of its affiliated companies), including, but not limited to, keys, security codes or passes, mobile telephones, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, software programs, equipment,

other documents or property (including reproductions of any of the same in any form or format.)

18. **Liability Insurance.** Bank shall obtain liability insurance coverage for Executive under an insurance policy with similar terms as that which is currently covering officers and directors of the Bank against lawsuits, arbitrations or other legal or regulatory proceedings.

19. **Legal Expenses**. The Bank shall reimburse Executive for all reasonable legal fees and expenses she may incur in seeking to obtain or enforce any right or benefit provided by this Agreement, but only with respect to such claim or claims upon which Executive prevails (including by reason of negotiated settlement). Such payments shall be made within fourteen (14) days after delivery of Executive's written request for payment accompanied with such evidence of fees and expenses incurred as the Bank may reasonably require.

20. **Notices.** Except as otherwise provided in this Agreement, any notice required or permitted to be given under this Agreement shall be deemed properly given if in writing and if sent by overnight courier (Fed Ex, UPS, Priority Mail), or if mailed by registered or certified mail, postage prepaid with return receipt requested, to Executive's residence, in the case of notices to Executive, and to the principal executive offices of the Bank, in the case of notices to the Bank.

21. **Waiver.** No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and an executive officer specifically designated by the Board of Directors of the Bank. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

22. **Assignment.** This Agreement shall not be assignable by any party, except by the Bank to any successor in interest to its respective business.

23. **Entire Agreement.** This Agreement supersedes any and all agreements, either oral or in writing, between the parties with respect to the employment of Executive by the Bank, and this Agreement contains all the covenants and agreements between the parties with respect to her employment. Signatures to this Agreement delivery electronically shall be valid as original signatures. (However, nothing in this Agreement replaces any change in control rights under any separate retirement plan(s) of the Bank (such as any Supplemental Executive Retirement Deferred Compensation Plan), which plan(s) shall not be effected by this Agreement).

24. Successors; Binding Agreement.

(a) The Bank shall require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the businesses and/or assets of the Bank, or pursuant to a Change of Control as defined in this Agreement, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Bank would be required to perform it if no such succession had taken place. Failure by the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall constitute a material breach of this Agreement and entitle Executive to terminate for Good Reason. As used in this Agreement, "Bank" shall mean the Bank, as defined previously and any successor to its respective businesses and/or assets as aforesaid which assumes and agrees to perform this Agreementby operation of law or otherwise.

(b) This Agreement shall be binding on and inure to the benefit of the Bank and the Executive and their respective successors, assigns, heirs and legal representatives. If Executive should die following termination of Executive's employment without Cause, for Good Reason or after a Change of Control and any amounts would be payable to Executive under this Agreement if Executive had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to Executive's designee(s) (including if as per her Will or, if applicable, intestacy laws).

25. **Arbitration.** The Bank and Executive recognize that in the event a dispute should arise between them concerning the interpretation or implementation of this Agreement, lengthy and expensive litigation will not afford a practical resolution of the issues within a reasonable period of time. Consequently, each party agrees that all disputes, disagreements and questions of interpretation concerning this Agreement (except for any enforcement sought with respect to Sections 14, 15 or 17 which may be litigated in court notwithstanding anything to the contrary elsewhere herein,, including an action for injunction or other relief) are to be submitted for resolution to the American Arbitration Association (the "Association") at its offices nearest to Malvern, Pennsylvania, in accordance with the Association's National Rules for the Resolution of Employment Disputes or other applicable rules then in effect ("Rules"). The Bank or Executive may initiate an arbitration proceeding at any time by giving notice to the other in accordance with the Rules. The Bank and Executive may, as a matter of right, mutually agree on the appointment of a particular arbitrator from the Association's pool. The Bank shall pa y all costs of the arbitrator. The arbitrator shall not be bound by the rules of evidence and procedure of the courtsof the Commonwealth of Pennsylvania but shall be bound by the substantive law applicable to this Agreement. The decision of the arbitrator, absent fraud, duress, incompetence or gross and obvious error of fact, shall be final and binding upon the parties and shall be enforceable in courts of proper jurisdiction. Following written notice of a request for arbitration, the Bank and Executive shall be entitled

to an injunction restraining all further proceedings in any pending or subsequently filed litigation concerning this Agreement, except as otherwise provided herein.

26. **Validity.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

27. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the domestic, internal laws of the Commonwealth of Pennsylvania, without regard to its conflicts of laws principles.

28. **Headings.** The section headings of this Agreement are for convenience only and shall not control or affect the meaning or construction or limit the scope or intentof any of the provisions of this Agreement.

29. **Review by Counsel**. Employee represents that he/she has reviewed thisAgreement in full with her own legal counsel as may have been desired before signing it. No provision hereof shall be construed against a party because such party or its representative drafted it.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ATTEST: MERIDIAN BANK

______________________________ By ______________________________

WITNESS: EXECUTIVE

______________________________ ______________________________

Denise Lindsay

CHANGE IN CONTROL AND NON-COMPETITION AGREEMENT

This Change in Control and Non-Competition Agreement (“Agreement”) is entered into effective as of _______________ _____, 2018 (“Effective Date”), by and between Meridian Bank, headquartered at 9 Old Lincoln Highway, Malvern, PA (“Bank”) and_______________________________, with an address of ____(the “Employee”).

W I T N E S S E T H:

WHEREAS, the Employee is currently employed as______________________________of the Bank and is an integral part of its management;

WHEREAS, the Bank considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel such as Employee;

WHEREAS, the Bank recognizes that the possibility of a change in control of the Bank will cause uncertainty and distract the Employee from his/her assigned duties to the detriment of the Bank and its stockholders;

WHEREAS, the Bank is concerned that without an agreement relating to Employee’s severance in the event of a change in control Employee may not be incented to stay and fulfill Employee’s assigned duties during the period prior to or after a change in control; and

WHEREAS, the Board of Directors of the Bank (“Board”) has determined that appropriate steps should be taken to reinforce and encourage the Employee’s continued attention and dedication to the Employee’s assigned duties in the event of a change in control of the Bank.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration, the Employee and the Bank, intending to be legally bound, hereby agree as follows:

1. Definitions.

The following terms shall have these meanings in this Agreement:

“Agreed Compensation” shall mean: the sum of (A) the Employee’s annual base salary immediately preceding Employee’s termination and (B) the average of Employee’s annual cash and stock bonuses received within the two (2) calendar years immediately preceding Employee’s termination.

“Cause” shall mean:

(i) Employee’s conviction of or plea of guilty or nolo contendere to a felony, a crime of falsehood or the actual incarceration of Employee for a period of thirty (30) consecutive days or more;

(ii) Employee’s removal or prohibition from being an institutional-affiliated party by a final order of an appropriate federal or state banking agency;

(iii) unlawful harassment by Employee against employees, customers, business associates, contractors, or vendors of the Bank which results or may be reasonably expected to result in material liability to the Bank, following a good faith investigation of the claims by the Bank or its third party agent;

(iv) the receipt of any final cease and desist order issued by a bank regulatory authority to the Employee or such authority orders in writing that the Bank terminate the employment of the Employee with the Bank or relieve Employee of his/her material duties hereunder;

(v) any material act of fraud, misappropriation, or embezzlement by Employee which causes harm to the Bank;

(vi) the gross negligence of the Employee in connection with the performance of his/her material duties for the Bank;

(vii) the failure, following written notice and a reasonable cure period, of the Employee to follow the instructions of the chief executive officer of the Bank, provided such instructions are also lawful and consistent with the Employee's duties; or

(viii) a breach by Employee of any material provision of this Agreement, after written notice thereof and a 30-day opportunity to cure in the event that such breach was not willful.

(Hence, "without Cause" shall mean that none of (i) through (viii) above occurred.)

"Change in Control" shall mean:

(i) any "person" or more than one person acting as a group (as such term is defined in Section 409A of the Code and any Internal Revenue Guidance and regulations under Section 409A of the Code), other than the Bank or any "person" who on the date hereof is a director or officer ofthe Bank, acquires ownership of stock of the Bank, together with stock held by such person constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Bank;or

(ii) any "person" or more than one person acting as a group (as such term is defined in Section 409A of the Code and any Internal Revenue Guidance and regulations under Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Bank possessing thirty-five percent (35%) or more of the total voting power of the stock of the Bank; or

(iii) during any period of one (1) year during this Agreement, individuals who at the beginning of such period constitute the Board of Directors of the Bank cease for any reason to constitute at least a majority thereof;

provided, however, that that the reorganization of the Bank into a bank holding company structure shall not, by itself, constitute a Change in Control.

“Disability” shall have the same meaning as given to it under the long-term disability plan covering employees of the Bank (or if no such plan is in place, then as determined by a physician agreeable to both Bank and Employee or, if applicable, Employee’s legally authorized representative).

“Good Reason” shall mean, without the express written consent of the Employee, the occurrence of any of the following:

(i) the material reduction or diminution in the Employee’s authority, duties or responsibilities with the Bank, including, but not limited to, the continuous assignment to Employee of any duties materially inconsistent with Employee’s position with the Bank, or a material negative change in the nature or status of Employee’s responsibilities or the conditions of Employee’s employment with the Bank from those in effect immediately prior to the Change in Control;

(ii)) any reduction in Employee’s annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(iii) a failure to provide Employee with benefits at least as favorable as those enjoyed by him/her immediately prior to the Change in Control under any of the pension, life insurance, medical, health and accident, disability, supplemental executive retirement or other employee plans of Bank, or the taking of any action that would materially reduce any of such benefits unless such reduction is part of a reduction applicable to all employees; or

(iv) a reassignment which requires Employee to move his/her principal residence or his/her office more than thirty-five (35) miles from the Bank’s principal executive office (presently in Malvern, PA).

“Protection Period” shall mean the twenty-four (24) month period commencing on the date that the Change in Control occurs.

“Termination Event” shall mean the Employee’s termination of employment either:

(i) by the Bank or its successor without Cause, excluding terminations due to the Employee’s death or Disability;

(ii) by the Bank or its successor as a condition to the consummation of (or entry into, provided the transaction is consummated) the Change in Control transaction; or

(iii) by the Employee for Good Reason.

2. <u>Termination due to a Termination Event/Change in Control Benefits</u>. In the event that the Employee’s employment with the Bank or its successor is terminated due to the occurrence of a Termination Event during the Protection Period following a Change in Control, the Employee shall be entitled to the following payments and other benefits:

(a) Employee shall be entitled to receive a lump sum payment equal to one (1) times Employee’s Agreed Compensation (minus applicable withholdings and taxes) and a lump sum contribution equal to one (1) times the annual contribution into the Employee’s supplemental retirement plan (if such plan then exists), within thirty (30) days of such termination. In addition, for a period of one year from the date of termination of employment, Employee shall receive a continuation of all life, disability, medical insurance and other normal health and welfare benefits in effect with respect to Employee during the year prior to his termination of employment, or, if Bank cannot provide such benefits because Employee is no longer an employee, the Bank shall reimburse Employee in an amount equal to the monthly premium paid by him to obtain substantially similar employee benefits which he enjoyed prior to termination for one (1) year from the date of termination; and

(b) Subject to section 5(a) below) if a benefit plan in which the Employee participates is terminated and, as a result of same, the Employee is subject to accelerated taxation or taxation at a higher rate than Employee would have been had the plan not been terminated, Bank shall pay Employee an additional payment in an amount such that the after-tax proceeds of such payment will include the value of the additional taxes imposed upon the Employee as a result of the termination of the plan. [If Employee does not, in fact, incur such higher tax obligation (such as Employee "rolls over" the subject monies, so properly avoiding a taxable event), then no such added payment shall be due to him.]

However, if the Termination Event is Good Reason, Employee shall, within thirty (30) days of the occurrence of same, provide written notice to Bank of the existence of the condition and provide Bank thirty (30) days from its receipt of such notice to cure the condition. If the Bank does not cure the condition within thirty (30) days of its receipt of such notice, Employee may resign from employment with the Bank for Good Reason, hence triggering the entitlements in 2(a) and 2(b) above as per their terms.

3. Insurance; Outplacement Services. In any event for which any severance payments are to be paid to the Employee by the Bank pursuant to this Agreement, the Employee shall also receive from the Bank, (i) directors' and officers' liability insurance tail coverage (hereinafter referred to as "D&O Tail Coverage"), for liability coverage for all acts, omissions, events and occurrences, taking place while the Employee was employed by the Bank, and such D&O Tail Coverage shall remain in effect until the statutes of limitations for all possible claims against the Employee, have expired; and (ii) outplacement services which cost the Bank not more than Five Thousand Dollars ($5000).

4. Code Section 409A

(a) Any payments made pursuant to this Agreement, to the extent of payments made from the date of termination through March 15th of the calendar year following such date, are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) and thus payable pursuant to the "short-term deferral" rule set forth in Treas. Reg. §1.409A-1(b)(4); to the extent such payments are made following said March 15th, they are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) made upon an involuntary termination from service and payable pursuant to Treas. Reg. §1.409A-1(b)(9)(iii), to the maximum extent permitted by said provision. In no event may the Employee, directly or indirectly, designate the calendar year of any payment under this Agreement.

(b) The parties hereto intend that any and all post-employment compensation under this Agreement satisfy the requirements of Section 409A or an exception or exclusion there from to avoid the imposition of any accelerated or additional taxes pursuant to Section 409A. Any terms not specifically defined shall have the meaning as set forth in Section 409A.

(c) If, when Employee's employment terminates, Employee is a "specified employee," as defined in Code Section 409A(a)(2)(B)(i), then despite any provision of this Agreement or other plan or agreement to the contrary, Employee will not be entitled to the payments until the earliest of: (a) the date that is at least six months after Employee's "separation from service" (as defined in Code Section 409A) for reasons other than Employee's death, (b) the date of Employee's death, or (c) any earlier date that does not result in additional tax or interest to Employee under Code Section 409A. As promptly as possible after the end of the period during which payments are delayed under this provision, the entire amount of the delayed payments shall be paid to Employee in a single lump sum with any remaining payments to commence in accordance with the terms of this Agreement or other applicable plan or agreement.

(d) Notwithstanding the foregoing, no payment shall be made pursuant to this Agreement unless such termination of employment is a "Separation from Service" as defined in Code Section 409A.

(e) To the extent required to avoid accelerated taxation and/or tax penalties under Code Section 409A, amounts reimbursable to Employee under this Agreement shall be paid to Employee on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Employee) during one year may not affects amount reimbursable or provided in any subsequent year.

(f) The Bank makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with Code Section 409A and makes no undertaking to preclude Code Section 409A from applying to any such payment. Employee understands and agrees that Employee shall be solely responsible for the payment of any taxes, penalties, interest or other expenses incurred by Employee because of non-compliance with Code Section 409A.

5. Limitations on Payments.

(a) Notwithstanding anything in this Agreement to the contrary, in the event the payments and benefits payable hereunder to or on behalf of Employee (which the parties agree will not include any portion of payments allocated to the non-compete provisions of Section 7 which are classifiedas payments of reasonable compensation for purposes of Section 280G of the Code), when added to all other amounts and benefits payable to or on behalf of Employee, would result in the imposition of an excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the amounts and benefits payable hereunder shall be reduced to such extent as may be necessary to avoid such imposition. All calculations required to be made under this subsection will be made by the Bank's independent public accountants, subject to the right of Employee's representative to reviewthe same. The parties recognize that the actual implementation of the provisions of this subsection are complex and agree to deal with each other in good faith to resolve any questions or disagreementsarising hereunder.

(b) All payments made to the Employee pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with applicable laws and any regulations promulgated hereunder, including, but not limited to 12 C.F.R. Part 359.

6. Mitigation. Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The amount of payment or the benefit provided for in this Agreement shall not be reduced by any compensation earned by Employee

as the result of employment by another employer or by reason of Employee's receipt of or right to receive any retirement or other benefits after the date of termination of employment or otherwise.

7. Covenant Not to Compete.

(a) Employee hereby acknowledges and recognizes the highly competitive nature of the business of the Bank and accordingly agrees that, during his employment and for six (6) months from the end date of such employment (no matter what the reason, or "no reason," for its ending), Employee shall not, except as otherwise permitted in writing by the Bank:

(i) be engaged, directly or indirectly, either for his/her own account or as agent, consultant, employee, partner, officer, director, proprietor, investor (except as an investor owning less than 5% of the stock of a publicly owned company) or otherwise of any person, firm, corporation or enterprise, in the banking (including bank holding company) industry within thirty-five (35) miles from the Bank's principal executive office (presently in Malvern, PA). (the "Non-Competition Area"); or

(ii) directly or indirectly solicit persons or entities who a r e customers or referral sources of the Bank or (after Employee's termination) were so within one year of Employee's termination, to a become customer or referral source of a person or entity other than the Bank; or

(iii) directly or indirectly solicit employees of the Bank who are so employed or (after Employee's termination) were so within one year of Employee's termination to work for anyoneother than the Bank.

(b) It is expressly understood and agreed that, although Employee and the Bank consider the restrictions contained in paragraph 7(a) hereof reasonable for the purpose of preserving for the Bank its goodwill and other proprietary rights, if a final judicial determination is made by a court having jurisdiction that the time or territory or any other restriction contained in paragraph 7(a) hereofis an unreasonable or otherwise unenforceable restriction against Employee, the provisions of paragraph 7(a) hereof shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such other extent as such court may judicially determine or indicate to be reasonable. Furthermore, Employee agrees that the promises of the Bank set forth in this Agreement constitute good, valid and sufficient consideration for Employee's promises containedin this Section 7 (entitled "Covenant Not to Compete") and Employee hereby unconditionally waives any claim to the contrary.

8. Unauthorized Disclosure. During his employment with the Bank, and at any later time, Employee shall not use or disclose to any person other than an employee of the Bank or a person to whom disclosure is also reasonably necessary and appropriate in connection with the performance by Employee of his duties as an employee of the Bank, any material confidential information obtained by him while in the employ of the Bank with respect to any of the Bank's services, products, improvements, formulas, f i n a n c e s , designs or styles, processes, customers, methods of business or any business practices the disclosure of which could be or will be damaging to the Bank; provided, however, that confidential information shall not include any information: (a) that was properly disclosedby a duly authorized and properly acting bank employee as part of the Bank's legally required public company disclosure obligations; (b) that entered the public domain subsequent to the time it was disclosed to Employee through no fault, act or omission of Employee; (c) that becomes known generally

to the public (other than as a result of unauthorized disclosure by Employee or any person with the assistance, consent or direction of Employee); or (d) any information that must be disclosed as required by law (with Employee, when legally permitted, providing Bank with reasonable prior notice ofsuch intended required legal disclosure to enable the Bank to potentially challenge same). Employee acknowledges that legally protected consumer/customer information shall remain confidential information at all times as required by law.

9. Work Made for Hire. Any work product produced by Employee while employed by Bank related to its business (including business of its subsidiaries) should be considered a "Work Made for Hire" as the phrase is defined by the U.S. copyright laws and shall be owned by and for the express benefit of the Bank. In the event it should be established that such work product does not qualify as a Work Made for Hire, Employee agrees to and does hereby assign to the Bank all of his rights, title, and/or interest in such work product, including, but not limited to, all copyrights, patents, trademarks, and propriety rights.

10. Return of Company Property and Documents. Employee agrees that, at the time of termination of his employment, regardless of the reason for termination, he will deliver to the Bank any and all Bank property (including of any of its affiliates), including, but not limited to, keys, security codes or passes, mobile telephones, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, software programs, equipment, other documents or property (including reproductions of any of the same in any form or format).

11. Legal Expenses. The Bank shall reimburse Employee for all reasonable legal fees and expensesh e / s h e may incur in seeking to obtain or enforce any right or benefit provided by this Agreement, but only with respect to such claim or claims upon which Employee prevails (including by reason of negotiated settlement). Such payments shall be made within fourteen (14) days after delivery of Employee's written request for payment accompanied with such evidence of fees and expenses incurred as the Bank may reasonably require.

12. Notices. Except as otherwise provided in this Agreement, any notice required or permitted to be given under this Agreement shall be deemed properly given if in writing and if mailed by registeredor certified mail, postage prepaid with return receipt requested, to Employee's residence [or hand delivered to Employee], in the case of notices to Employee, and so mailed to the CEO of the Bank,[or hand delivered to the CEO] in the case of notices to the Bank.

13. Waiver. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Employee and an executive officer specifically designated by the Board of Directors of the Bank. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

14. Assignment. This Agreement shall not be assignable by any party, except by the Bank to any successor in interest to its business.

15. Entire Agreement. This Agreement supersedes any and all p r i o r agreements, either oral or in writing, between the parties with respect to its change on control subject matter; (however it does not replace any change on control rights under any separate retirement plan(s) of the

Bank (such as any Supplemental Executive Retirement Deferred Compensation Plan), which plan(s) shall not be effected by this Agreement).

16. Successors; Binding Agreement**.**

(a) The Bank will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Bank would be required to perform it if no such succession had taken place. Failure by the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall constitute a breach of this Agreement. As used in this Agreement, "Bank" shall meanthe Bank, as defined previously and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) This Agreement shall be binding on and inure to the benefit of the Bank and the Employee and their respective successors, heirs, assigns and legal representatives (and any subsequent successors, heirs, assigns and legal representatives). If Employee should die following a Termination Event after a Change of Control and any amounts would be payable to Employee under this Agreement if Employee had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to Employee's designee(s) (including if by Employee's Will or, if applicable, intestacy laws).

17. Arbitration. The Bank and Employee recognize that in the event a dispute should arise between them concerning the interpretation or implementation of this Agreement, lengthy and expensive litigation will not afford a practical resolution of the issues within a reasonable period of time. Consequently, each party agrees that all disputes, disagreements and questions of interpretation concerning this Agreement (except for any enforcement sought with respect to Sections 7, 8 or 10, which may be litigated in court notwithstanding anything to the contrary elsewhere herein, including an action for injunction or other relief) are to be submitted for resolution, to the American Arbitration Association (the "Association") at its offices nearest to Malvern, Pennsylvania, in accordance with the Association's National Rules for the Resolution of Employment Disputes or other applicable rules then in effect ("Rules"). The Bank or Employee may initiate an arbitration proceeding at any time by giving notice to the other in accordance with the Rules. The Bank and Employee may, as a matter of right, mutually agree on the appointment of a particular arbitrator from the Association's pool. The Bank shall pay all costs of the arbitrator. The arbitrator shall not be bound by the rules of evidence and procedure of the courts of the Commonwealth of Pennsylvania but shall be bound by the substantive law applicable to this Agreement. The decision of the arbitrator, absent fraud, duress, incompetence or gross and obvious error of fact, shall be final and binding upon the parties and shall be enforceable in courts of proper jurisdiction. Following written notice of a request for arbitration, the Bank and Employee shall be entitled to an injunction restraining all further proceedings in any pending or subsequently filed litigation concerning this Agreement, except as otherwise provided herein.

18. Validity**.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

19. Applicable Law. This Agreement shall be governed by and construed in accordance with the domestic, internal laws of the Commonwealth of Pennsylvania, without regard to its conflicts of laws principles.

20. Headings/Gender. The section headings of this Agreement are for convenience only and shall not control or affect the meaning or construction or limit the scope or intent of any of the provisions of this Agreement. References to gender herein shall mean that gender as applicable to each party hereto.

21. No Right to Continued Employment. Nothing in this Agreement shall confer on the Employee any right to continue in the employ of the Bank or interfere in any way (other than by virtue of requiring payments or benefits as per the terms of this Agreement) with the right of the Bank or the Employee to terminate the Employee's employment at any time.

22. Review by Counsel. Employee represents that he has reviewed this Agreement in full with his own legal counsel as may have been desired before signing it. No provision hereof shall be construed against a party because such party or its representative drafted it.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ATTEST: MERIDIAN BANK

TEMPLATE --- TEMPLATE --- TEMPLATE

______________________________ By:________________

Authorized Officer

WITNESS: EMPLOYEE

TEMPLATE --- TEMPLATE --- TEMPLATE

______________________________ ______________________________

____

Please print employee name above

CHANGE IN CONTROL AND NON-COMPETITION AGREEMENT

This Change in Control and Non-Competition Agreement ("Agreement") is entered into effective as of _______________ _____, 2018 ("Effective Date"), by and between Meridian Bank, headquartered at 9 Old Lincoln Highway, Malvern, PA ("Bank") and________________________________, with an address of ____(the "Employee").

W I T N E S S E T H:

WHEREAS, the Employee is currently employed as______________________________of the Bank and is an integral part of its management;

WHEREAS, the Bank considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel such as Employee;

WHEREAS, the Bank recognizes that the possibility of a change in control of the Bank will cause uncertainty and distract the Employee from his/her assigned duties to the detriment of the Bank and its stockholders;

WHEREAS, the Bank is concerned that without an agreement relating to Employee's severance in the event of a change in control Employee may not be incented to stay and fulfill Employee's assigned duties during the period prior to or after a change in control; and

WHEREAS, the Board of Directors of the Bank ("Board") has determined that appropriate steps should be taken to reinforce and encourage the Employee's continued attention and dedication to the Employee's assigned duties in the event of a change in control of the Bank.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration, the Employee and the Bank, intending to be legally bound, hereby agree as follows:

1. Definitions.

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(ii) Employee's removal or prohibition from being an institutional-affiliated party by a final order of an appropriate federal or state banking agency;

(iii) unlawful harassment by Employee against employees, customers, business associates, contractors, or vendors of the Bank which results or may be reasonably expected to result in material liability to the Bank, following a good faith investigation of the claims by the Bank or its third party agent;

(iv) the receipt of any final cease and desist order issued by a bank regulatory authority to the Employee or such authority orders in writing that the Bank terminate the employment of the Employee with the Bank or relieve Employee of his/her material duties hereunder;

(v) any material act of fraud, misappropriation, or embezzlement by Employee which causes harm to the Bank;

(vi) the gross negligence of the Employee in connection with the performance of his/her material duties for the Bank;

(vii) the failure, following written notice and a reasonable cure period, of the Employee to follow the instructions of the chief executive officer of the Bank, provided such instructions are also lawful and consistent with the Employee's duties; or

(viii) a breach by Employee of any material provision of this Agreement, after written notice thereof and a 30-day opportunity to cure in the event that such breach was not willful.

(Hence, "without Cause" shall mean that none of (i) through (viii) above occurred.)

"Change in Control" shall mean:

(i) any "person" or more than one person acting as a group (as such term is defined in Section 409A of the Code and any Internal Revenue Guidance and regulations under Section 409A of the Code), other than the Bank or any "person" who on the date hereof is a director or officer ofthe Bank, acquires ownership of stock of the Bank, together with stock held by such person constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Bank;or

(ii) any "person" or more than one person acting as a group (as such term is defined in Section 409A of the Code and any Internal Revenue Guidance and regulations under Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Bank possessing thirty-five percent (35%) or more of the total voting power of the stock of the Bank; or

(iii) during any period of one (1) year during this Agreement, individuals who at the beginning of such period constitute the Board of Directors of the Bank cease for any reason to constitute at least a majority thereof;

provided, however, that that the reorganization of the Bank into a bank holding company structure shall not, by itself, constitute a Change in Control.

“Disability” shall have the same meaning as given to it under the long-term disability plan covering employees of the Bank (or if no such plan is in place, then as determined by a physician agreeable to both Bank and Employee or, if applicable, Employee’s legally authorized representative).

“Good Reason” shall mean, without the express written consent of the Employee, the occurrence of any of the following:

(i) the material reduction or diminution in the Employee’s authority, duties or responsibilities with the Bank, including, but not limited to, the continuous assignment to Employee of any duties materially inconsistent with Employee’s position with the Bank, or a material negative change in the nature or status of Employee’s responsibilities or the conditions of Employee’s employment with the Bank from those in effect immediately prior to the Change in Control;

(ii)) any reduction in Employee’s annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(iii) a failure to provide Employee with benefits at least as favorable as those enjoyed by him/her immediately prior to the Change in Control under any of the pension, life insurance, medical, health and accident, disability, supplemental executive retirement or other employee plans of Bank, or the taking of any action that would materially reduce any of such benefits unless such reduction is part of a reduction applicable to all employees; or

(iv) a reassignment which requires Employee to move his/her principal residence or his/her office more than thirty-five (35) miles from the Bank’s principal executive office (presently in Malvern, PA).

“Protection Period” shall mean the twenty-four (24) month period commencing on the date that the Change in Control occurs.

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(i) by the Bank or its successor without Cause, excluding terminations due to the Employee’s death or Disability;

(ii) by the Bank or its successor as a condition to the consummation of (or entry into, provided the transaction is consummated) the Change in Control transaction; or

(iii) by the Employee for Good Reason.

2. Termination due to a Termination Event/Change in Control Benefits. In the event that the Employee’s employment with the Bank or its successor is terminated due to the occurrence of a Termination Event during the Protection Period following a Change in Control, the Employee shall be entitled to the following payments and other benefits:

(a) Employee shall be entitled to receive a lump sum payment equal to one (1) times Employee’s Agreed Compensation (minus applicable withholdings and taxes) and a lump sum contribution equal to one (1) times the annual contribution into the Employee’s supplemental retirement plan (if such plan then exists), within thirty (30) days of such termination. In addition, for a period of one year from the date of termination of employment, Employee shall receive a continuation of all life, disability, medical insurance and other normal health and welfare benefits in effect with respect to Employee during the year prior to his termination of employment, or, if Bank cannot provide such benefits because Employee is no longer an employee, the Bank shall reimburse Employee in an amount equal to the monthly premium paid by him to obtain substantially similar employee benefits which he enjoyed prior to termination for one (1) year from the date of termination; and

(b) Subject to section 5(a) below) if a benefit plan in which the Employee participates is terminated and, as a result of same, the Employee is subject to accelerated taxation or taxation at a higher rate than Employee would have been had the plan not been terminated, Bank shall pay Employee an additional payment in an amount such that the after-tax proceeds of such payment will include the value of the additional taxes imposed upon the Employee as a result of the termination of the plan. [If Employee does not, in fact, incur such higher tax obligation (such as Employee "rolls over" the subject monies, so properly avoiding a taxable event), then no such added payment shall be due to him.]

However, if the Termination Event is Good Reason, Employee shall, within thirty (30) days of the occurrence of same, provide written notice to Bank of the existence of the condition and provide Bank thirty (30) days from its receipt of such notice to cure the condition. If the Bank does not cure the condition within thirty (30) days of its receipt of such notice, Employee may resign from employment with the Bank for Good Reason, hence triggering the entitlements in 2(a) and 2(b) above as per their terms.

3. Insurance; Outplacement Services. In any event for which any severance payments are to be paid to the Employee by the Bank pursuant to this Agreement, the Employee shall also receive from the Bank, (i) directors' and officers' liability insurance tail coverage (hereinafter referred to as "D&O Tail Coverage"), for liability coverage for all acts, omissions, events and occurrences, taking place while the Employee was employed by the Bank, and such D&O Tail Coverage shall remain in effect until the statutes of limitations for all possible claims against the Employee, have expired; and (ii) outplacement services which cost the Bank not more than Five Thousand Dollars ($5000).

4. Code Section 409A

(a) Any payments made pursuant to this Agreement, to the extent of payments made from the date of termination through March 15th of the calendar year following such date, are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) and thus payable pursuant to the "short-term deferral" rule set forth in Treas. Reg. §1.409A-1(b)(4); to the extent such payments are made following said March 15th, they are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) made upon an involuntary termination from service and payable pursuant to Treas. Reg. §1.409A-1(b)(9)(iii), to the maximum extent permitted by said provision. In no event may the Employee, directly or indirectly, designate the calendar year of any payment under this Agreement.

(b) The parties hereto intend that any and all post-employment compensation under this Agreement satisfy the requirements of Section 409A or an exception or exclusion there from to avoid the imposition of any accelerated or additional taxes pursuant to Section 409A. Any terms not specifically defined shall have the meaning as set forth in Section 409A.

(c) If, when Employee's employment terminates, Employee is a "specified employee," as defined in Code Section 409A(a)(2)(B)(i), then despite any provision of this Agreement or other plan or agreement to the contrary, Employee will not be entitled to the payments until the earliest of: (a) the date that is at least six months after Employee's "separation from service" (as defined in Code Section 409A) for reasons other than Employee's death, (b) the date of Employee's death, or (c) any earlier date that does not result in additional tax or interest to Employee under Code Section 409A. As promptly as possible after the end of the period during which payments are delayed under this provision, the entire amount of the delayed payments shall be paid to Employee in a single lump sum with any remaining payments to commence in accordance with the terms of this Agreement or other applicable plan or agreement.

(d) Notwithstanding the foregoing, no payment shall be made pursuant to this Agreement unless such termination of employment is a "Separation from Service" as defined in Code Section 409A.

(e) To the extent required to avoid accelerated taxation and/or tax penalties under Code Section 409A, amounts reimbursable to Employee under this Agreement shall be paid to Employee on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Employee) during one year may not affects amount reimbursable or provided in any subsequent year.

(f) The Bank makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with Code Section 409A and makes no undertaking to preclude Code Section 409A from applying to any such payment. Employee understands and agrees that Employee shall be solely responsible for the payment of any taxes, penalties, interest or other expenses incurred by Employee because of non-compliance with Code Section 409A.

5. Limitations on Payments.

(a) Notwithstanding anything in this Agreement to the contrary, in the event the payments and benefits payable hereunder to or on behalf of Employee (which the parties agree will not include any portion of payments allocated to the non-compete provisions of Section 7 which are classifiedas payments of reasonable compensation for purposes of Section 280G of the Code), when added to all other amounts and benefits payable to or on behalf of Employee, would result in the imposition of an excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the amounts and benefits payable hereunder shall be reduced to such extent as may be necessary to avoid such imposition. All calculations required to be made under this subsection will be made by the Bank's independent public accountants, subject to the right of Employee's representative to reviewthe same. The parties recognize that the actual implementation of the provisions of this subsection are complex and agree to deal with each other in good faith to resolve any questions or disagreementsarising hereunder.

(b) All payments made to the Employee pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with applicable laws and any regulations promulgated hereunder, including, but not limited to 12 C.F.R. Part 359.

6. Mitigation. Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The amount of payment or the benefit provided for in this Agreement shall not be reduced by any compensation earned by Employee

as the result of employment by another employer or by reason of Employee's receipt of or right to receive any retirement or other benefits after the date of termination of employment or otherwise.

7. Covenant Not to Compete.

(a) Employee hereby acknowledges and recognizes the highly competitive nature of the business of the Bank and accordingly agrees that, during his employment and for six (6) months from the end date of such employment (no matter what the reason, or "no reason," for its ending), Employee shall not, except as otherwise permitted in writing by the Bank:

(i) be engaged, directly or indirectly, either for his/her own account or as agent, consultant, employee, partner, officer, director, proprietor, investor (except as an investor owning less than 5% of the stock of a publicly owned company) or otherwise of any person, firm, corporation or enterprise, in the banking (including bank holding company) industry within thirty-five (35) miles from the Bank's principal executive office (presently in Malvern, PA). (the "Non-Competition Area"); or

(ii) directly or indirectly solicit persons or entities who a r e customers or referral sources of the Bank or (after Employee's termination) were so within one year of Employee's termination, to a become customer or referral source of a person or entity other than the Bank; or

(iii) directly or indirectly solicit employees of the Bank who are so employed or (after Employee's termination) were so within one year of Employee's termination to work for anyoneother than the Bank.

(b) It is expressly understood and agreed that, although Employee and the Bank consider the restrictions contained in paragraph 7(a) hereof reasonable for the purpose of preserving for the Bank its goodwill and other proprietary rights, if a final judicial determination is made by a court having jurisdiction that the time or territory or any other restriction contained in paragraph 7(a) hereofis an unreasonable or otherwise unenforceable restriction against Employee, the provisions of paragraph 7(a) hereof shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such other extent as such court may judicially determine or indicate to be reasonable. Furthermore, Employee agrees that the promises of the Bank set forth in this Agreement constitute good, valid and sufficient consideration for Employee's promises containedin this Section 7 (entitled "Covenant Not to Compete") and Employee hereby unconditionally waives any claim to the contrary.

8. Unauthorized Disclosure. During his employment with the Bank, and at any later time, Employee shall not use or disclose to any person other than an employee of the Bank or a person to whom disclosure is also reasonably necessary and appropriate in connection with the performance by Employee of his duties as an employee of the Bank, any material confidential information obtained by him while in the employ of the Bank with respect to any of the Bank's services, products, improvements, formulas, f i n a n c e s , designs or styles, processes, customers, methods of business or any business practices the disclosure of which could be or will be damaging to the Bank; provided, however, that confidential information shall not include any information: (a) that was properly disclosedby a duly authorized and properly acting bank employee as part of the Bank's legally required public company disclosure obligations; (b) that entered the public domain subsequent to the time it was disclosed to Employee through no fault, act or omission of Employee; (c) that becomes known generally

to the public (other than as a result of unauthorized disclosure by Employee or any person with the assistance, consent or direction of Employee); or (d) any information that must be disclosed as required by law (with Employee, when legally permitted, providing Bank with reasonable prior notice ofsuch intended required legal disclosure to enable the Bank to potentially challenge same). Employee acknowledges that legally protected consumer/customer information shall remain confidential information at all times as required by law.

9. Work Made for Hire. Any work product produced by Employee while employed by Bank related to its business (including business of its subsidiaries) should be considered a "Work Made for Hire" as the phrase is defined by the U.S. copyright laws and shall be owned by and for the express benefit of the Bank. In the event it should be established that such work product does not qualify as a Work Made for Hire, Employee agrees to and does hereby assign to the Bank all of his rights, title, and/or interest in such work product, including, but not limited to, all copyrights, patents, trademarks, and propriety rights.

10. Return of Company Property and Documents. Employee agrees that, at the time of termination of his employment, regardless of the reason for termination, he will deliver to the Bank any and all Bank property (including of any of its affiliates), including, but not limited to, keys, security codes or passes, mobile telephones, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, software programs, equipment, other documents or property (including reproductions of any of the same in any form or format).

11. Legal Expenses. The Bank shall reimburse Employee for all reasonable legal fees and expensesh e / s h e may incur in seeking to obtain or enforce any right or benefit provided by this Agreement, but only with respect to such claim or claims upon which Employee prevails (including by reason of negotiated settlement). Such payments shall be made within fourteen (14) days after delivery of Employee's written request for payment accompanied with such evidence of fees and expenses incurred as the Bank may reasonably require.

12. Notices. Except as otherwise provided in this Agreement, any notice required or permitted to be given under this Agreement shall be deemed properly given if in writing and if mailed by registeredor certified mail, postage prepaid with return receipt requested, to Employee's residence [or hand delivered to Employee], in the case of notices to Employee, and so mailed to the CEO of the Bank,[or hand delivered to the CEO] in the case of notices to the Bank.

13. Waiver. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Employee and an executive officer specifically designated by the Board of Directors of the Bank. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

14. Assignment. This Agreement shall not be assignable by any party, except by the Bank to any successor in interest to its business.

15. Entire Agreement. This Agreement supersedes any and all p r i o r agreements, either oral or in writing, between the parties with respect to its change on control subject matter; (however it does not replace any change on control rights under any separate retirement plan(s) of the

Bank (such as any Supplemental Executive Retirement Deferred Compensation Plan), which plan(s) shall not be effected by this Agreement).

16. Successors; Binding Agreement**.**

(a) The Bank will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Bank would be required to perform it if no such succession had taken place. Failure by the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall constitute a breach of this Agreement. As used in this Agreement, "Bank" shall meanthe Bank, as defined previously and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) This Agreement shall be binding on and inure to the benefit of the Bank and the Employee and their respective successors, heirs, assigns and legal representatives (and any subsequent successors, heirs, assigns and legal representatives). If Employee should die following a Termination Event after a Change of Control and any amounts would be payable to Employee under this Agreement if Employee had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to Employee's designee(s) (including if by Employee's Will or, if applicable, intestacy laws).

17. Arbitration. The Bank and Employee recognize that in the event a dispute should arise between them concerning the interpretation or implementation of this Agreement, lengthy and expensive litigation will not afford a practical resolution of the issues within a reasonable period of time. Consequently, each party agrees that all disputes, disagreements and questions of interpretation concerning this Agreement (except for any enforcement sought with respect to Sections 7, 8 or 10, which may be litigated in court notwithstanding anything to the contrary elsewhere herein, including an action for injunction or other relief) are to be submitted for resolution, to the American Arbitration Association (the "Association") at its offices nearest to Malvern, Pennsylvania, in accordance with the Association's National Rules for the Resolution of Employment Disputes or other applicable rules then in effect ("Rules"). The Bank or Employee may initiate an arbitration proceeding at any time by giving notice to the other in accordance with the Rules. The Bank and Employee may, as a matter of right, mutually agree on the appointment of a particular arbitrator from the Association's pool. The Bank shall pay all costs of the arbitrator. The arbitrator shall not be bound by the rules of evidence and procedure of the courts of the Commonwealth of Pennsylvania but shall be bound by the substantive law applicable to this Agreement. The decision of the arbitrator, absent fraud, duress, incompetence or gross and obvious error of fact, shall be final and binding upon the parties and shall be enforceable in courts of proper jurisdiction. Following written notice of a request for arbitration, the Bank and Employee shall be entitled to an injunction restraining all further proceedings in any pending or subsequently filed litigation concerning this Agreement, except as otherwise provided herein.

18. Validity**.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

19. Applicable Law. This Agreement shall be governed by and construed in accordance with the domestic, internal laws of the Commonwealth of Pennsylvania, without regard to its conflicts of laws principles.

20. Headings/Gender. The section headings of this Agreement are for convenience only and shall not control or affect the meaning or construction or limit the scope or intent of any of the provisions of this Agreement. References to gender herein shall mean that gender as applicable to each party hereto.

21. No Right to Continued Employment. Nothing in this Agreement shall confer on the Employee any right to continue in the employ of the Bank or interfere in any way (other than by virtue of requiring payments or benefits as per the terms of this Agreement) with the right of the Bank or the Employee to terminate the Employee's employment at any time.

22. Review by Counsel. Employee represents that he has reviewed this Agreement in full with his own legal counsel as may have been desired before signing it. No provision hereof shall be construed against a party because such party or its representative drafted it.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ATTEST: MERIDIAN BANK

TEMPLATE --- TEMPLATE --- TEMPLATE

______________________________ By:________________

Authorized Officer

WITNESS: EMPLOYEE

TEMPLATE --- TEMPLATE --- TEMPLATE

______________________________ ______________________________

____

Please print employee name above

Exhibit 21.1

List of Subsidiaries of Meridian Bank

The following is a list of subsidiaries of Meridian Corporation, the names under which such subsidiaries do business, and the state or country in which each was organized:

Meridian Bank	Pennsylvania

Exhibit 31.1

CERTIFICATION

I, Christopher J. Annas, President and Chief Executive Officer of Meridian Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K of Meridian Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2021

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

Exhibit 31.2

CERTIFICATION

I, Denise Lindsay, Executive Vice President and Chief Financial Officer of Meridian Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K of Meridian Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2021

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

Exhibit 32

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Meridian Corporation on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Meridian Corporation.

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

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

Date: March 29, 2021