FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

November 6, 2017
Date of Report (Date of earliest event reported)

MERIDIAN BANK

(Exact name of registrant as specified in its charter)

Pennsylvania	**57777**	**32-0116054**
(State or other jurisdiction of incorporation)	(FDIC Certificate Number)	(IRS Employer Ident. No.)

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

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

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).
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. ☐

Item 1.01 Entry into a Material Definitive Agreement.

On November 6, 2017, Meridian Bank (the "Bank") entered into an Underwriting Agreement (the "Agreement") with Sandler O'Neill & Partners, L.P., as representative (the "Representative") of the several underwriters listed on Schedule I thereto (the "Underwriters"), pursuant to which the Bank agreed to issue and sell 2,352,941 shares of its common stock, par value $1.00 per share (the "Common Stock"), at a public offering price of $17.00 per share, in an underwritten public offering (the "Offering"). The Bank granted the Underwriters a 30-day option to purchase up to 352,941 additional shares of Common Stock from the Bank. The Bank made certain customary representations and warranties, agreed to certain covenants and agreed to indemnify the Underwriters against (or contribute to the payment of) certain liabilities.

The Agreement contains customary representations, warranties and covenants that are valid as between the parties and as of the date of entering into such Agreement, and are not factual information to investors about the Bank.

In connection with the Offering, the Bank and each of the Bank's directors and executive officers have entered into 180-day "lock-up" agreements with respect to the sale of shares of Common Stock, subject to customary exceptions.

The description of the Underwriting Agreement does not purport to be a complete description of such agreement and is qualified in its entirety by reference to the full text of the Underwriting Agreement, which is attached hereto as Exhibit 1.1 and incorporated by reference herein.

Item 3.01 Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing.

On November 3, 2017, the Bank's application to list its common stock on The NASDAQ Global Select Market® was approved by The NASDAQ Stock Market. The Bank's common stock will begin trading on The NASDAQ Global Select Market on November 7, 2017, under the ticker symbol "MRBK."

Item 7.01. Regulation FD Disclosure.

On November 6, 2017, the Bank issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The Bank also issued a final offering circular, dated November 6, 2017, a copy of which is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

1.1 Underwriting Agreement, dated as of November 6, 2017, by and among Meridian Bank and Sandler O'Neill & Partners, L.P. as Representative of the several underwriters listed on Schedule I thereto.

99.1 Press Release issued November 6, 2017.

99.2 Offering Circular, dated November 6, 2017, of Meridian Bank.

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 hereunto duly authorized.

MERIDIAN BANK

Dated: November 7, 2017

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

EXHIBIT INDEX

Exhibit Number	Description
1.1	Underwriting Agreement, dated as of November 6, 2017, by and among Meridian Bank and Sandler O'Neill & Partners, L.P. as Representative of the several underwriters listed on Schedule I thereto
99.1	Press Release issued November 6, 2017
99.2	Offering Circular, dated November 6, 2017, of Meridian Bank

2,352,941 Shares

Meridian Bank

Common Stock
$1.00 par value per share

Underwriting Agreement

November 6, 2017

Sandler O'Neill & Partners, L.P.
as Representative of the several
Underwriters named in Schedule I hereto
c/o Sandler O'Neill & Partners, L.P.
1251 Avenue of the Americas, 6th Floor
New York, New York 10020

Ladies and Gentlemen:

Meridian Bank, a Pennsylvania-chartered commercial bank (the "Bank"), proposes to issue and sell, subject to the terms and conditions stated herein, to the Underwriters named in Schedule I hereto (the "Underwriters"), for whom Sandler O'Neill & Partners, L.P. is acting as representative (the "Representative"), an aggregate of 2,352,941 shares (the "Firm Shares") and, at the election of the Underwriters, up to 352,941 additional shares (the "Optional Shares") of the common stock, $1.00 par value per share ("Stock"), of the Bank (the Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof are herein collectively called the "Shares"). A primary purpose of the proposed offering is to support the long-term growth of the Bank as well as the redemption of the Bank's outstanding Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series 2009A, Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series 2009B, and Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series 2009C (collectively referred to as the "Preferred Stock").

The Shares will be sold to the Underwriters without being registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon the exemption therefrom provided under Section 3(a)(2) of the Securities Act. The Bank has prepared a preliminary offering circular dated October 31, 2017 and an amended preliminary offering circular dated November 3, 2017 (collectively referred to as the "Preliminary Offering Circular") and will prepare an offering circular dated the date hereof (the "Offering Circular") setting forth information concerning the Bank and the Shares.

Copies of the Preliminary Offering Circular have been, and copies of the Offering Circular will be, delivered by the Bank to the Underwriters pursuant to the terms of this Agreement. The Bank hereby confirms that it has authorized the use of the Preliminary Offering Circular and the Offering Circular in connection with the offering of the Shares by the Underwriters in the manner contemplated by this Agreement. Capitalized terms used but not

defined herein shall have the meanings given to such terms in the Preliminary Offering Circular and the Offering Circular.

The Bank expects to effect a corporate reorganization pursuant to which it will become the wholly owned subsidiary of Meridian Corporation (the "Holding Company"), a recently formed Pennsylvania corporation and wholly owned subsidiary of the Bank (the "Holding Company Reorganization"). The Holding Company Reorganization will occur subsequent to the completion of the Offering of the shares contemplated hereby.

1. (a) The Bank represents and warrants to, and agrees with each of the Underwriters as of the date hereof and as of each Time of Delivery (as hereinafter defined below), that:

(i) The Preliminary Offering Circular, as of their dates, did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however,* that the Bank makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter that is furnished to the Bank in writing by such Underwriter or through the Representative expressly for use in such General Disclosure Package, it being understood and agreed that the only such information furnished by any Underwriter consists of the Underwriter's Information (as defined in Section 8(a)).

(ii) As of the date of the Offering Circular and any amendment or supplement thereto and as of each Time of Delivery, the Offering Circular did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however,* that the Bank makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter that is furnished to the Bank in writing by such Underwriter or through the Representative expressly for use in such Offering Circular or any amendment or supplement thereto, it being understood and agreed that the only such information furnished by any Underwriter consists of the Underwriter's Information.

(iii) Each of the General Disclosure Package (as hereinafter defined), Issuer Written Communication (as hereinafter defined) and the Offering Circular complies in all material respects with applicable disclosure requirements of the Federal Deposit Insurance Corporation's ("FDIC") Statement of Policy Regarding Use of Offering Circular in Connection with Public Distribution of Bank Securities (61 Fed. Reg. 46808, September 5, 1996; the "FDIC Policy Statement") and the Banking Code (as hereinafter defined), including all applicable regulations and rules promulgated thereunder.

(iv) As of the Applicable Time, the General Disclosure Package did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under

which they were made, not misleading; *provided*, *however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter's Information. As used in this paragraph and elsewhere in this Underwriting Agreement (the "Agreement"):

"Applicable Time" means 6:30 p.m. (Eastern time) on the date of this Agreement.

"General Disclosure Package" means (i) any Issuer Written Communication issued at or prior to the Applicable Time and (ii) the Preliminary Offering Circular.

"Issuer Written Communication" means any "written communication" (within the meaning of the regulations of the Securities and Exchange Commission (the "Commission")), other than the Preliminary Offering Circular and the Offering Circular, prepared by or on behalf of the Bank, or used or referred to by the Bank, that constitutes an offer to sell or a solicitation of an offer to buy the Shares, including, without limitation, any such written communication that would, if the sale of the Shares were to be conducted as a public offering pursuant to a registration statement filed with the Commission and the Offering Circular were to be considered a prospectus satisfying the requirements of Section 10(a) of the Act, constitute an "issuer free writing prospectus," as defined in Rule 433 under the Act, whether or not required to be filed with the Commission.

"Testing-the-Waters Communication" means any oral or written communication with potential investors that would satisfy the requirements of Section 5(d) of the Act as if the Bank were subject to such requirements.

"Written Testing-the-Waters Communication" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Act as if the Bank were subject to such provisions.

(v) Each Issuer Written Communication, when taken together with the General Disclosure Package, did not, and as of each Time of Delivery, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and did not, does not and will not include information that conflicted, conflicts or will conflict with the information contained in the Offering Circular and the General Disclosure Package; *provided*, *however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter's Information.

(vi) From the time of the submission of the Offering Circular to the FDIC through the date hereof, the Bank has met the criteria to be deemed an "emerging growth company", as defined in Section 2(a) of the Act (an "Emerging Growth Company") (as if the Bank were subject to the provisions of the Act).

(vii) The Bank (i) has not alone engaged in any Testing-the-Waters Communications other than Testing-the-Waters Communications with the consent

of the Representative and with entities that are either (1) qualified institutional buyers within the meaning of Rule 144A under the Act or (2) institutions that are accredited investors within the meaning of Rule 501 under the Act and (ii) has not authorized anyone other than the Representative to engage in Testing-the-Waters Communications. The Bank reconfirms that the Representative has been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Bank has not distributed or approved for distribution any Written Testing-the-Waters Communications other than those listed on Schedule III hereto. Any individual Written Testing-the-Waters Communication does not conflict with the information contained in the Offering Circular, the General Disclosure Package or the Offering Circular, complied, to the extent applicable, in all material respects with the Act and the rules and regulations of the Commission thereunder ("1933 Act Regulations"), and when taken together with the General Disclosure Package, as of the Applicable Time did not, and as of each Time of Delivery, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(viii) Pursuant to the provisions of the Pennsylvania Banking Code of 1965, as amended, and the rules and regulations of the Pennsylvania Department Banking and Securities (the "Department") thereunder (collectively, the "Banking Code"), the Bank has obtained or will obtain from the Department all approvals and authorizations, if any, to allow the Shares to be offered or sold under the provisions of the Banking Code.

(ix) It is not necessary, in connection with the sale of the Shares to the Underwriters and the offer, resale and delivery of the Shares by the Underwriters in the manner contemplated by this Agreement, the General Disclosure Package and the Offering Circular, to register the Shares under the Securities Act by virtue of Section 3(a)(2) thereunder.

(x) Since the date of the most recently dated audited consolidated balance sheet contained in the financial statements included in each of the General Disclosure Package and the Offering Circular, the Bank and its subsidiaries, considered as one enterprise, have not sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in each of the General Disclosure Package and the Offering Circular; and, since the respective dates as of which information is given in the General Disclosure Package and the Offering Circular, except as set forth or contemplated in each of the General Disclosure Package and the Offering Circular, (A) there has not been any material change in the capital stock or long-term debt of the Bank or any of its subsidiaries (other than changes resulting from the exercise or issuance or grant of securities, including stock options or restricted share awards, pursuant to the Bank's equity incentive plans, in each case, as described in the Offering Circular) or any material adverse change in or affecting the general affairs, management, earnings, business, properties, assets, consolidated financial position, stockholders' equity or consolidated results of operations of the Bank and its subsidiaries taken as a whole (a

“Material Adverse Effect”), (B) there have been no transactions entered into by the Bank or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Bank and its subsidiaries, taken as a whole, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Bank on any class of its capital stock.

(xi) The Bank and its subsidiaries have good and marketable title in fee simple (in the case of real property) to, or have valid and marketable rights to lease or otherwise use, all items of real and personal property and assets that are material to the respective businesses of the Bank and its subsidiaries, in each case free and clear of all liens, encumbrances, claims and defects and imperfections of title except those that (i) do not materially interfere with the use made and proposed to be made of such property by the Bank and its subsidiaries or (ii) would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; and all of the leases and subleases material to the business of the Bank and its subsidiaries taken as a whole, and under which the Bank or any of its subsidiaries holds properties described in the General Disclosure Package and the Offering Circular, are in full force and effect (subject to the effects of (A) bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization, moratorium or other similar laws relating to or affecting the rights or remedies of creditors generally and (B) the application of general principles of equity (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether enforcement is considered in proceedings at law or in equity), and neither the Bank nor any such subsidiary has any written notice of any claim of any sort that has been asserted by anyone adverse to the rights of the Bank or any subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Bank or such subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease, except as would not reasonably be expected to result in a Material Adverse Effect.

(xii) The Bank is not required to register as a bank holding company under the Bank Holding Company Act of 1956, as amended (“BHCA”), and Regulation Y of the Board of Governors of the Federal Reserve System (“FRB”) and has been duly incorporated and is validly existing as a commercial bank in good standing under the laws of the Commonwealth of Pennsylvania, with power and authority to own, lease and operate its properties and to conduct its business as described in each of the General Disclosure Package and the Offering Circular and to enter into and perform its obligations under this Agreement. The Bank is an insured depository institution under the provisions of the Federal Deposit Insurance Act of 1950, as amended (the “FDIA”), and the deposit accounts of the Bank are insured up to applicable legal limits by the FDIC and no proceedings for the termination or revocation of such insurance are pending or, to the knowledge of the Bank, threatened. The Bank has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure to so qualify or to be in good standing would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect.

(xiii) Each subsidiary of the Bank has been duly incorporated and is validly existing as a corporation are in each case in good standing under the laws of the jurisdiction of its organization, with power and authority to own, lease and operate its properties and to conduct its business as described in each of the General Disclosure Package and the Offering Circular, and has been duly qualified as a foreign entity for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure to so qualify or to be in good standing would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; all of the issued shares of capital stock of each subsidiary of the Bank have been duly authorized and validly issued and are fully paid and nonassessable and are owned directly by the Bank, free and clear of any pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock of any subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such subsidiary; there are no outstanding rights, warrants or options to acquire or instruments convertible into or exchangeable for any capital stock or equity securities of any of the Bank's subsidiaries. The Bank does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed in Schedule IV to this Agreement.

(xiv) The Bank has an authorized capitalization as set forth in the General Disclosure Package and the Offering Circular under the caption "Capitalization," and all of the issued shares of capital stock of the Bank have been duly and validly authorized and issued, are fully paid and nonassessable and have been issued in compliance with applicable federal and state securities laws and bankruptcy laws, and conform to the description of the Stock and the Preferred Stock contained in each of the General Disclosure Package and the Offering Circular; no such shares were issued in violation of the preemptive or similar rights of any security holder of the Bank; and no person has any preemptive or similar right to purchase any shares of capital stock or equity securities of the Bank; the description of the Bank's stock option, restricted share awards and other stock plans or compensation arrangements and the options, restricted share awards or other rights granted thereunder, set forth in the General Disclosure Package and the Offering Circular, accurately and fairly presents, in all material respects, the information required to be shown with respect to such plans, arrangements, options, awards and rights.

(xv) This Agreement has been duly authorized, executed and delivered by the Bank and, when duly executed by the Representative, will constitute the valid and binding agreement of the Bank enforceable against the Bank in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles and except as any indemnification or contribution provisions thereof may be limited under applicable securities laws.

(xvi) The Shares to be issued and sold by the Bank to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and

fully paid and nonassessable and will conform to the description of the Stock contained in each of the General Disclosure Package and the Offering Circular.

(xvii) Except as described in each of the General Disclosure Package and the Offering Circular, (A) there are no outstanding rights (contractual or otherwise), warrants or options to acquire, or instruments convertible into or exchangeable for, or agreements or understandings with respect to the sale or issuance of, any shares of capital stock of or other equity interest in the Bank and (B) there are no contracts, agreements or understandings between the Bank and any person granting such person the right to require the Bank to file an offering circular with the FDIC or otherwise register any securities of the Bank owned or to be owned by such person.

(xviii) The issue and sale of the Shares by the Bank, the compliance by the Bank with all of the provisions of this Agreement and the consummation of the transactions herein contemplated and the application of the proceeds from the sale of the Shares as described under the caption "Use of Proceeds" in the Offering Circular have been duly authorized by all necessary corporate action of the Bank and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any contract, indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument (collectively, the "Agreements and Instruments") to which the Bank or any of its subsidiaries is a party or by which the Bank or any of its subsidiaries is bound or to which any of the property or assets of the Bank or any of its subsidiaries is subject (collectively, the "Bank Agreements and Instruments"), except for those conflicts, breaches, violations or defaults that would not reasonably be expected to result in a Material Adverse Effect, nor will any such action (A) result in any violation of the provisions of the articles of incorporation or charter (as applicable) or bylaws of the Bank or any of its subsidiaries, (B) result in any violation of any law, statute or any order, rule or regulation of any federal, state, local or foreign court, arbitrator, regulatory authority or governmental agency or body (each, a "Governmental Entity") having jurisdiction over the Bank or any of its subsidiaries or any of their properties or (C) constitute a Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or other encumbrance upon any assets or operations of the Bank or any subsidiary pursuant to, any of the Bank Agreements and Instruments, except for, in the case of (B) and (C) above, those conflicts, breaches, violations, defaults or Repayment Events that would not reasonably be expected to result in a Material Adverse Effect; and no consent, approval, authorization, order, registration or qualification of or with any such Governmental Entity is required for the issue and sale of the Shares, the performance by the Bank of its obligations hereunder or the consummation by the Bank of the transactions contemplated by this Agreement, except the submission of the registration of the Stock pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended ("1934 Act"), on Form 10 (the "1934 Act Registration Statement") with the FDIC, the approval of the Department, if required, of the Shares and except as may be required under the rules and regulations of the Nasdaq Stock Market or the Financial Industry Regulatory Authority ("FINRA"), and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the

Underwriters. As used herein, a "Repayment Event" means any event or condition that gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Bank or any subsidiary prior to its scheduled maturity.

(xix) Neither the Bank nor any of its subsidiaries is (A) in violation of its articles of incorporation or charter (as applicable) or bylaws or (B) in breach, violation or default in the performance or observance of any obligation, agreement, covenant or condition contained in any of the Bank Agreements and Instruments, except with respect to subsection (B) for such breach, violation or default that would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(xx) The statements set forth in each of the General Disclosure Package and the Offering Circular under the caption "Description of Capital Stock," and "Description of Holding Company Shares" and Comparison of Shareholders' Rights" insofar as they purport to constitute a summary of the terms of the Stock and the Preferred Stock of the Bank, the capital stock of Holding Company, "Business—Legal and Regulatory Proceedings" and "Dividend Policy", are accurate and complete, and under the captions "Supervision and Regulation", and "Underwriting", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate and complete in all material respects.

(xxi) The financial statements, together with the supporting schedules, if any, and notes, included in each of the General Disclosure Package and the Offering Circular, together with the supporting schedules, if any, and notes, comply in all material respects with the applicable requirements of the FDIC Policy Statement and the Banking Code, present fairly in all material respects the consolidated financial condition of the Bank and its subsidiaries at the dates indicated and the consolidated statements of income, statements of comprehensive income, statements of changes in stockholders' equity and statements of cash flows of the Bank and its subsidiaries for the periods specified. Such financial statements and supporting schedules, if any, have been prepared in all material respects in conformity with generally accepted accounting principles in effect in the United States ("GAAP") applied on a consistent basis throughout the periods involved. No other financial statements or supporting schedules are required to be included in the General Disclosure Package and the Offering Circular under the FDIC Policy Statement. The selected financial data and the summary financial information included in each of the General Disclosure Package and the Offering Circular under the caption "Summary Historical Consolidated Financial and Operating Information" presents fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the General Disclosure Package and the Offering Circular in all material respects. Pro forma financial statements are not required to be included in the General Disclosure Package or the Offering Circular under the FDIC Policy Statement or GAAP; to the extent applicable, all disclosures contained in the General Disclosure Package and Offering Circular regarding "non-GAAP financial measures" as such term is defined by the rules and regulations of the Commission comply

in all material respects with Regulation G promulgated under the 1934 Act and Item 10(e) of Regulation S-K as if such provisions were applicable to the Bank.

(xxii) Each of the Bank and its subsidiaries maintains a system of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (C) access to assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; since the end of the Bank's most recent audited fiscal year, there has been (X) no material weakness in the Bank's internal control over financial reporting (whether or not remediated) of which the Bank is aware and (Y) no change in the Bank's internal control over financial reporting that has materially affected adversely, or is reasonably likely to materially affect adversely, the Bank's internal control over financial reporting.

(xxiii) The Bank employs "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the 1934 Act) that are designed to comply with the requirements of the 1934 Act that are applicable to an issuer that has a class of securities registered under Section 12 of the 1934 Act.

(xxiv) Neither the Bank nor any of its subsidiaries is subject or is party to, or has received any notice or advice that any of them may become subject or party to any investigation with respect to, any corrective, suspension or cease-and-desist order, agreement, consent agreement, memorandum of understanding or other regulatory enforcement action, proceeding or order with or by, or is a party to any commitment letter or similar undertaking to, or is subject to any directive by, or has been a recipient of any supervisory letter from, or has adopted any board resolutions at the request of, any Regulatory Agency (as defined below) that currently relates to or restricts in any material respect the conduct of their business or that in any manner relates to their capital adequacy, credit policies or management (each, a "Regulatory Agreement"), nor has the Bank or any of its subsidiaries been advised by any Regulatory Agency that it is considering issuing or requesting any such Regulatory Agreement or any such Regulatory Agreement is pending or threatened; there is no unresolved violation, criticism or exception by any Regulatory Agency with respect to any report or statement relating to any examinations of the Bank or any of its subsidiaries which, in the reasonable judgment of the Bank, currently results in or is expected to result in a Material Adverse Effect; and the Bank is not in violation of any order or directive from any Regulatory Agency to make any material change in the method of conducting its respective businesses. As used herein, the term "Regulatory Agency" means any Governmental Entity having supervisory or regulatory authority with respect to the Bank or any of its subsidiaries, including, but not limited to, any federal or state agency charged with the supervision or regulation of depositary institutions, or engaged in the insurance of depositary institution deposits.

(xxv) The Bank and its subsidiaries are conducting their respective businesses in compliance with all statutes, laws, rules, regulations, judgments, decisions,

directives, orders and decrees of any Governmental Entity (including, without limitation, all regulations and orders of, or agreements with, the Department and the FDIC) applicable to them, except where the failure to so comply would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; and neither the Bank nor any subsidiary has received any written communication from any Governmental Entity asserting that the Bank or such subsidiary is not in material compliance with any statute, law, rule, regulation, decision, directive or order.

(xxvi) Except as set forth in each of the General Disclosure Package and the Offering Circular, there are no legal or governmental actions, suits or proceedings, or to the Bank's knowledge, investigations, before or by any Governmental Entity, now pending or, to the Bank's knowledge, threatened or contemplated by Governmental Entities or threatened by others, to which the Bank or any of its subsidiaries is a party or of which any property or asset of the Bank or any of its subsidiaries is the subject (A) that are required to be disclosed pursuant to the requirements of the FDIC Policy Statement or by the Act or by the 1933 Act Regulations (as if the Shares were being registered under the Act) and not disclosed therein or (B) which, if determined adversely to the Bank or any of its subsidiaries, would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; all pending legal or governmental proceedings to which the Bank or its subsidiaries is a party or of which any of their property is the subject which are not described in including ordinary routine litigation incidental to their respective businesses, are not reasonably expected to result, individually or in the aggregate, in a Material Adverse Effect; and there are no contracts or documents of the Bank or any of its subsidiaries that are required to be described in the Offering Circular or to be filed as exhibits thereto by the Act or by the FDIC, Policy Statement or 1933 Act Regulations (as if the Shares were being registered under the Act) which have not been so described or filed.

(xxvii) Each of the Bank and its subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by the Bank or its subsidiaries; the Bank and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except where the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; neither the Bank nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to result in a Material Adverse Effect; neither the Bank nor its subsidiaries has failed to file with applicable regulatory authorities any statement, report, information or form required by any applicable law, regulation or order, except where the failure to so file in compliance would not, individually or in the aggregate, have a Material Adverse Effect; and all such filings were in compliance in all material respects with applicable laws when filed and no material

deficiencies have been asserted in writing by any regulatory commission, agency or authority with respect to any such filings or submissions.

(xxviii)Except as disclosed in the General Disclosure Package and the Offering Circular and except as would not, individually or in the aggregate, result in a Material Adverse Effect, (A) neither the Bank nor any of its subsidiaries is in violation of any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law or any applicable judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products, asbestos-containing materials or mold (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Bank and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or, to the actual knowledge of the Bank, threatened, administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Bank or its subsidiaries, and (D) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or Governmental Entity, against or affecting the Bank or its subsidiaries relating to Hazardous Materials or any Environmental Laws.

(xxix) The statistical and market-related data contained in each of the General Disclosure Package and the Offering Circular are based on or derived from sources that the Bank believes are reliable and accurate; no forward-looking statement (within the meaning of Section 27A of the Act and Section 21E of the 1934 Act) contained in the General Disclosure Package or the Offering Circular has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(xxx) Neither the Bank nor any controlled affiliate of the Bank nor any person acting on their behalf (other than the Underwriters), has taken, nor will the Bank or any affiliate or any person acting on their behalf (other than the Underwriters), take, directly or indirectly, any action that is designed to or that has constituted or that would be expected to cause or result in stabilization or manipulation of the price of any security of the Bank to facilitate the sale or resale of the Shares.

(xxxi) The Bank is not and, after giving effect to the offering and sale of the Shares, and after receipt of payment for the Shares and the application of such proceeds as described in each of the General Disclosure Package and the Offering Circular, will not be an "investment company" or an entity "controlled" by an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

(xxxii) Except as disclosed in the General Disclosure Package and the Offering Circular, there are no contracts, agreements or understandings between the Bank and any person that would give rise to a valid claim against the Bank or the Underwriters for a brokerage commission, finder's fee or other like payment in connection with the sale of the Shares.

(xxxiii)The Bank has not distributed and, prior to the later to occur of (i) the Time of Delivery and (ii) completion of the distribution of the Shares, will not distribute any offering circular (treating any such document as if it were a prospectus as defined in the Act and the 1933 Act Regulations) in connection with the offering and sale of the Shares other than by the General Disclosure Package, the Offering Circular or such other materials, if any, permitted by the FDIC Policy Statement or the 1933 Act Regulations (as if the Shares were being registered under the Act) and approved by the Representative.

(xxxiv) KPMG LLP, which has audited the financial statements of the Bank and its subsidiaries included in the General Disclosure Package and the Offering Circular, is an independent registered public accounting firm as required by the Act and the 1933 Act Regulations, and, to the knowledge of the Bank, is not in violation of the auditor independence requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") with respect to the Bank.

(xxxv) No labor problem or dispute with the employees of the Bank or any of its subsidiaries exists or, to the Bank's knowledge, is threatened or imminent that, in any case, would reasonably be expected to have a Material Adverse Effect, whether or not arising from transactions in the ordinary course of business.

(xxxvi)The Bank and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as the Bank believes are prudent and customary in the business in which the Bank and its subsidiaries are engaged; there are no claims by the Bank or any of its subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause where the denial of liability for such claim or an adverse determination in connection with such reservation of rights could reasonably be expected to result in a Material Adverse Effect; neither the Bank nor any such subsidiary has been refused any material insurance coverage sought or applied for; and neither the Bank nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not reasonably be expected to have a Material Adverse Effect.

(xxxvii) The Bank has filed all federal, state and foreign income and franchise tax returns that are required to be filed or has requested extensions thereof, except as set forth or contemplated in each of the General Disclosure Package and the Offering Circular or as would not reasonably be expected to have a Material Adverse Effect, and all such tax returns are true, complete and correct in all material respects, and the Bank has paid all taxes required to be paid by it and any other assessment, fine or

penalty levied against it, to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith or as would not reasonably be expected to have a Material Adverse Effect; the Bank has made adequate charges, accruals and reserves in the applicable Financial Statements referred to in Section 1(xxi) above in respect of all federal, state and foreign income and franchise taxes for all periods as to which the tax liability of the Bank or its subsidiaries has not been finally determined.

(xxxviii) Except as disclosed in each of the General Disclosure Package and the Offering Circular, no subsidiary of the Bank is currently prohibited, directly or indirectly, from paying any dividends to the Bank, from making any other distribution on such subsidiary's capital stock, from repaying to the Bank any loans or advances to such subsidiary from the Bank or from transferring any of such subsidiary's property or assets to the Bank or any other subsidiary of the Bank.

(xxxix) Any "employee benefit plan" (as defined under Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "ERISA")) established or maintained by the Bank, any of its subsidiaries or their "ERISA Affiliates" (as defined below) are in compliance in all material respects with ERISA; "ERISA Affiliate" means, with respect to the Bank or any subsidiary, any member of any group of organizations described in Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (the "Code"), of which the Bank or such subsidiary is a member; no "reportable event" (as defined under ERISA) has occurred or is reasonably expected to occur with respect to any "employee benefit plan" established or maintained by the Bank, any of the subsidiaries or any of their ERISA Affiliates; no "employee benefit plan" established or maintained by the Bank, any of the subsidiaries or any of their ERISA Affiliates, if such "employee benefit plan" were terminated, would have any "amount of unfunded benefit liabilities" (as defined under ERISA); none of the Bank, its subsidiaries nor any of their ERISA Affiliates has incurred or reasonably expects to incur any liability under (A) Title IV of ERISA with respect to termination of, or withdrawal from, any "employee benefit plan" or (B) Sections 412, 4971, 4975 or 4980B of the Code; each "employee benefit plan" established or maintained by the Bank, any of its subsidiaries or any of their ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

(xl) The Bank and each of its subsidiaries own or possess adequate rights to use or can acquire on reasonable terms ownership or rights to use all patents, patent applications, patent rights, licenses, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights and know-how (including trade secrets and other unpatented and/or unpatentable property or confidential information, systems or procedures and excluding generally commercially available "off the shelf" software programs licensed pursuant to shrink wrap or "click and accept" licenses) (collectively, "Intellectual Property") necessary for the conduct of their respective business, except where the failure to own or possess such rights would not, individually or in the aggregate, result in a Material Adverse Effect, and have not received

any notice of any claim of infringement or conflict with, any such rights of others or any facts or circumstances that would render any Intellectual Property invalid or inadequate to protect the interest of the Bank or any of its subsidiaries therein, except where such infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect.

(xli) Neither the Bank nor any of its subsidiaries nor, to the knowledge of the Bank, any director, officer, agent, employee or other person associated with or acting on behalf of the Bank or any of its subsidiaries has (A) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (B) made any direct or indirect unlawful payment to any foreign or domestic government official or employee; (C) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; (D) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment; (E) materially violated applicable privacy of customer information requirements contained in any federal or state privacy act laws and regulations; or (F) made any payment of funds to the Bank or its subsidiaries or received or retained funds in violation of any law, rule or regulation, which payment, receipt or retention of funds is of a character required to be disclosed in each of the General Disclosure Package and the Offering Circular, that is not described in each of the General Disclosure Package and the Offering Circular as required.

(xlii) The operations of the Bank and its subsidiaries are and have been conducted at all times in compliance in all material respects with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all jurisdictions, the applicable rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency having jurisdiction over the Bank and its subsidiaries (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Bank or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Bank, threatened.

(xliii) No relationship, direct or indirect, exists between or among the Bank or any of its subsidiaries, on the one hand, and the directors, officers or shareholders of the Bank or any of its subsidiaries, on the other, that is required by the FDIC Policy Statement, the Act or the 1933 Act Regulations (as if the Shares were being registered under the Act) to be described in each of the General Disclosure Package and the Offering Circular and that is not so described.

(xliv) Except as described in each of the General Disclosure Package and the Offering Circular, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) or any other relationships with unconsolidated entities or other persons, which may have a material current or future effect on the Bank's financial condition, changes in financial condition, results of

operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses.

(xlv) The Bank is in compliance with the provisions of the Sarbanes-Oxley Act and the rules and regulations of the Commission thereunder applicable to it as of the date of this Agreement.

(xlvi) All of the information, as may have been updated or amended, provided to the Representative or to counsel for the Underwriters by the Bank, to the Bank's knowledge, its officers and directors and the holders of any securities (debt or equity) or options to acquire any securities of the Bank, in connection with letters, filings or other supplemental information provided to FINRA pursuant to FINRA Rules 5110 and 5121, is true, complete and correct in all material respects;

(xlvii) The Shares have been approved for listing, subject to official notice of issuance and evidence of satisfactory distribution, on the Nasdaq Global Select Market, and the Bank has taken no action designed to, or reasonably likely to, have the effect of delisting the Shares from Nasdaq, nor has the Bank received any notification that the Commission, the FDIC or Nasdaq is contemplating terminating such registration or listing.

(xlviii) The Bank has no debt securities or preferred stock to which a rating is accorded by any "nationally recognized statistical rating organization", as defined in Section 3(a)(62) of the 1934 Act.

(xlix) Neither the Bank nor any of its subsidiaries has participated in any reportable transaction, as defined in Treasury Regulation Section 1.6011-(4)(b)(1).

(l) Each of the Bank and its subsidiaries has good and marketable title to all securities held by it (except securities sold under repurchase agreements, pledged to secure deposits or derivative contracts or held in any fiduciary or agency capacity) free and clear of any lien, claim, charge, option, encumbrance, mortgage, pledge or security interest or other restriction of any kind, except to the extent such securities are pledged in the ordinary course of business to secure obligations of the Bank or its subsidiaries and except for such defects in title or liens, claims, charges, options, encumbrances, mortgages, pledges or security interests or other restrictions of any kind that would not, individually or in the aggregate, result in a Material Adverse Effect. Such securities are valued on the books of the Bank and its subsidiaries in accordance with GAAP.

(li) Any and all material swaps, caps, floors, futures, forward contracts, option agreements (other than employee stock options and restricted stock awards) and other derivative financial instruments, contracts or arrangements, whether entered into for the account of the Bank or its subsidiaries or for the account of a customer of the Bank or its subsidiaries, were entered into in the ordinary course of business and in accordance with applicable laws, rules, regulations and policies of all applicable regulatory agencies and with counterparties reasonably believed to be financially

responsible at the time. The Bank and its subsidiaries have duly performed all of their obligations thereunder to the extent that such obligations to perform have accrued, and there are no breaches, violations or defaults or allegations or assertions of such by any party thereunder, except for such breaches, violations, defaults, allegations or assertions that, individually or in the aggregate, would not result in a Material Adverse Effect.

(lii) Neither the Bank nor, to the actual knowledge of the Bank, any director, officer, employee or affiliate of the Bank is (a) currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC") or (b) located, organized or resident in a country or territory that is the subject of such sanctions. The Bank will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to its subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person, or engage in dealings or transactions with any person, or in any country, or territory, subject to any U.S. sanctions administered by OFAC.

(liii) Except as described in the General Disclosure Package or the Offering Circular, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), or any other relationships with unconsolidated entities or other persons, that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(liv) To the actual knowledge of the Bank, after inquiry of its officers and directors, there are no affiliations with any FINRA member firm among the Bank's officers or directors, except as set forth in the General Disclosure Package and the Offering Circular, or as otherwise disclosed in writing to the Underwriters.

(lv) Neither the FDIC nor the Department has issued any order or taken any similar action preventing or suspending the use of any part of the General Disclosure Package, Issuer Written Communications or the Offering Circular (any such order or action, a "stop order"); no stop order has been issued, no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Bank, threatened by the FDIC or the Department; neither the FDIC nor the Department has objected to the use of the General Disclosure Package, any Issuer Written Communication or the Offering Circular; and the Bank has filed, and will continue to file, with the FDIC and/or the Department any materials required to be filed by the Bank with the FDIC under the FDIC Policy Statement or the Department under the Banking Code in connection with the sale and issuance of the Shares.

(lvi) At or prior to the First Time of Delivery, the Bank will have filed the 1934 Act Registration Statement.

(lvii) The Holding Company has filed with the FRB an application on Form Y-3 for approval, pursuant to the BHCA and the regulations promulgated thereunder, for the Holding Company to become a bank holding company with respect to the Bank (the "Holding Company Application") and has filed such amendments thereto and supplemental materials as may have been required to the date

hereof and as of such Time of Delivery; as of the date hereof and as of such Time of Delivery, the Holding Company Application complied and will comply in all material respects with the applicable requirements of BHCA and the regulations promulgated thereunder, except as the FRB has expressly waived such regulations in writing, and the Holding Company Application is truthful and accurate in all material respects; the Holding Company has received written notice from the FRB of its approval of the Holding Company Application, such approval remains in full force and effect, no order has been issued by the FRB suspending or revoking such approval and no proceedings therefor have been initiated or, to the knowledge of the Bank, threatened by the FRB; the shareholders of the Bank have approved the Holding Company Reorganization and no further approval of the Bank's shareholders is necessary to effect the Holding Company Reorganization.

(lviii) The Holding Company has filed with the Department an application to acquire control of the Bank pursuant to Section 112 of the Banking Code ("Control Application") and has filed such amendments thereto and supplemental materials as may have been required to the date hereof and as of such Time of Delivery; as of the date hereof and as of such Time of Delivery, the Control Application complied and will comply in all material respects with the applicable requirements of the Banking Code and the regulations promulgated thereunder, except as the Department has expressly waived such regulations in writing, and the Control Application is truthful and accurate in all material respects; the Bank has no knowledge of any fact or circumstance related to the Bank or the Holding Company that would cause it to reasonably believe that the approval by the Department of the Control Application will not be received or that such approval would contain other than customary conditions.

(lix) The Bank has filed with the Department an Interim Bank Charter Application (the "Charter Application") for permission to organize an interim Pennsylvania-chartered commercial bank, Meridian Interim Bank ("Interim"); the Department has approved the Charter Application, such approval remains in full force and effect and no order has been issued by the Department suspending or revoking such approval and no proceedings therefor have been initiated or, to the knowledge of the Bank, threatened by the Department.

(lx) The Bank has filed with the FDIC pursuant to federal law and the rules and regulations thereof (i) an Interagency Bank Merger Application pursuant to which the Bank will merge with and into Interim and (ii) an Insurance of Accounts Application applying for deposit insurance for Interim (such applications hereinafter collectively referred to as the "FDIC Applications") and in each case has filed such amendments thereto and supplemental materials as may have been required to the date hereof and as of such Time of Delivery; as of the date hereof and as of such Time of Delivery, the FDIC Applications complied and will comply in all material respects with the applicable requirements of the FDIA and the regulations promulgated thereunder, except as the FDIC has expressly waived such regulations in writing, and the FDIC Applications are truthful and accurate in all material respects; the Bank has no knowledge of any fact or circumstance related to the Bank and/or Interim that would cause it to

reasonably believe that the approval by the FDIC of the FDIC Applications will not be received or that such approvals would contain other than customary conditions.

(lxi) Except as has not had and would not reasonably be expected to have a Material Adverse Effect:

(i) The Bank has complied in all material respects with, and all documentation in connection with the origination, processing, underwriting and credit approval of any mortgage loan originated, purchased or serviced by the Bank satisfied, (A) all applicable federal and state laws, rules and regulations with respect to the origination, insuring, purchase, sale, pooling, servicing, subservicing, or filing of claims in connection with mortgage loans, including all laws relating to real estate settlement procedures, consumer credit protection, truth in lending laws, usury limitations, fair housing, transfers of servicing, collection practices, equal credit opportunity and adjustable rate mortgages, (B) the responsibilities and obligations relating to mortgage loans set forth in any agreement between the Bank and any Agency, Loan Investor or Insurer, (C) the applicable rules, regulations, guidelines, handbooks and other requirements of any Agency, Loan Investor or Insurer and (D) the terms and provisions of any mortgage or other collateral documents and other loan documents with respect to each mortgage loan; and

(ii) No Agency, Loan Investor or Insurer has (A) notified the Bank in writing that the Bank has violated or has not complied with the applicable underwriting standards with respect to mortgage loans sold by the Bank to a Loan Investor or Agency, or with respect to any sale of mortgage servicing rights to a Loan Investor, (B) imposed in writing restrictions on the activities (including commitment authority) of the Bank or (C) indicated in writing to the Bank that it has terminated or intends to terminate its relationship with the Bank for poor performance, poor loan quality or concern with respect to the Bank compliance with laws.

For purposes of this Section 1(lxi): (A) “Agency” means the Federal Housing Administration, the Federal Home Loan Mortgage Corporation, the Farmers Home Administration (now known as Rural Housing and Community Development Services), the Federal National Mortgage Association, the United States Department of Veterans’ Affairs, the Rural Housing Service of the U.S. Department of Agriculture or any other federal or state agency with authority to (i) determine any investment, origination, lending or servicing requirements with regard to mortgage loans originated, purchased or serviced by the Bank or (ii) originate, purchase, or service mortgage loans, or otherwise promote mortgage lending, including state and local housing finance authorities; (B) “Loan Investor” means any person (including an Agency) having a beneficial interest in any mortgage loan originated, purchased or serviced by the Bank or a security backed by or representing an interest in any such mortgage loan; and (Z) “Insurer” means a person who insures or guarantees for the benefit of the mortgagee all or any portion of the risk of loss upon borrower default on any of the mortgage loans originated, purchased or serviced by the Bank, including the Federal Housing Administration, the United States Department of Veterans’ Affairs, the Rural Housing Service of the U.S. Department of Agriculture and

any private mortgage insurer, and providers of hazard, title or other insurance with respect to such mortgage loans or the related collateral.

(b) Any certificate signed by an officer of the Bank and delivered to the Representative or to counsel for the Underwriters in connection with the offering of Shares shall be deemed to be a representation of the Bank, as to the matters set forth therein as of the date of such certificate.

2. Subject to the terms and conditions herein set forth, (a) the Bank agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees to purchase from the Bank, at a purchase price per share of $15.85, a number of Firm Shares equal to the number of Firm Shares set forth opposite such Underwriter's name on Schedule I hereto, and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Bank agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees to purchase from the Bank, at the purchase price per share set forth in clause (a) of this Section 2, a number of Optional Shares (to be adjusted by the Representative so as to eliminate fractional shares) determined by multiplying the number of Optional Shares as to which such election shall have been exercised by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Bank hereby grants to the Underwriters the right to purchase at its election up to 352,941 Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering overallotments in the sale of the Firm Shares. Any such election to purchase Optional Shares may be exercised only by written notice from the Representative to the Bank, given within a period of thirty (30) calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by the Representative but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless the Representative and the Bank otherwise agree in writing, earlier than two (2) or later than ten (10) business days after the date of such notice.

It is understood that each Underwriter has authorized the Representative, for such Underwriter's account, to accept delivery of, receipt for, and make payment of the purchase price for, the Firm Shares and the Optional Shares, if any, which such Underwriter has agreed to purchase. Sandler O'Neill & Partners, L.P., individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Firm Shares or the Optional Shares, if any, to be purchased by any Underwriter whose funds have not been received by Sandler O'Neill & Partners, L.P. by the relevant Time of Delivery but such payment shall not relieve such Underwriter from its obligations hereunder.

3. Upon the authorization by the Representative of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Offering Circular.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as the Representative may request upon at least forty-eight (48) hours prior notice to the Bank, shall be delivered by or on behalf of the Bank to the Representative, through the facilities of DTC, for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of federal (same day) funds to the account specified by the Bank. The Bank will cause certificates, if any, representing the Shares to be made available for checking and packaging at least forty-eight (48) hours prior to the Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., Eastern time, on November 9, 2017 or such other time and date as the Representative and the Bank may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York time, on the date specified by the written notice given by the Representative of the Underwriters' election to purchase such Optional Shares, or such other time and date as the Representative and the Bank may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery," such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery," and each such time and date for delivery is herein called a "Time of Delivery."

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7 hereof, will be delivered at the offices of Silver, Freedman, Taff & Tiernan LLP, 3299 K Street, N.W., Suite 100, Washington, D.C. 20007 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held, which may be via facsimile and telephonic, at the Closing Location at 4:00 p.m., New York time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Bank further covenants and agrees with each of the Underwriters as follows:

(a) To prepare the Offering Circular in a form approved by the Representative and to file such Offering Circular, to the extent required, with the FDIC and/or the Department; to make no further amendment or any supplement to the Offering Circular which shall be disapproved by the Representative promptly after reasonable notice thereof; to furnish the Representative with copies of any amendment or supplement to the Offering Circular; to advise the Representative, promptly after it receives notice thereof, of the issuance by the FDIC or the Department of any stop order with respect to the Offering Circular or any order preventing or suspending the use of any Preliminary Offering Circular, Issuer Written Communication or Offering Circular, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the FDIC and /or the Department for the amending or supplementing of any Preliminary Offering Circular, any Issuer Written Communication or Offering Circular or for additional information; and, in the event of the issuance of any stop order or of any order

preventing or suspending the use of any Preliminary Offering Circular, Issuer Written Communication or Offering Circular or suspending any such qualification, promptly to use its best efforts to obtain the withdrawal of such order.

(b) If at any time following issuance of an Issuer Written Communication there occurred or occurs an event or development as a result of which such Issuer Written Communication conflicted or would conflict with the information contained in the Offering Circular or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, the Bank has notified or will notify as promptly as reasonably practicable the Representative so that any use of such Issuer Written Communication may cease until it is amended or supplemented and the Bank has promptly amended or will promptly amend or supplement such Issuer Written Communications to eliminate or correct such conflict, untrue statement or omission; *provided*, *however*, that this covenant shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter's Information.

(c) The Bank represents and agrees that, unless it obtains the prior written consent of the Representative, and each Underwriter represents and agrees that, unless it obtains the prior written consent of each of the Bank and the Representative, it has not made and will not make any offer relating to the Shares that would constitute an "issuer free writing prospectus," as defined in Rule 433 under the Act, or that would otherwise constitute a "free writing prospectus," as defined in Rule 405 under the Act, required to be filed with the Commission assuming the sale of the Shares were to be conducted as a public offering pursuant to a registration statement filed with the Commission and the Offering Circular was considered a prospectus satisfying the requirements of Section 10(a) of the Act). Any such Issuer Written Communication consented to by the Bank and the Representative is hereinafter referred to as a "Permitted Issuer Written Communication." The Bank represents that it has treated or agrees that it will treat each Permitted Issuer Written Communication as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Issuer Written Communication, including filing, if required by the FDIC, legending and record-keeping, as if the Shares were being sold pursuant to a prospectus subject to the Act. The Bank represents that it has satisfied, to the extent required, the conditions of Rule 433 of the Act to avoid a requirement to file with the FDIC the electronic road show.

(d) The Bank will promptly notify the Representative if the Bank ceases to meet the requirements to be considered an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of Shares within the meaning of the Act and (ii) completion of the Lock-up Period referred to in Section 5(h) hereof;

(e) Promptly from time to time to take such action as the Representative may request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as the Representative may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith, the Bank shall not be required to qualify as a foreign corporation, to file a general consent to service of process in any jurisdiction or to subject itself to taxation in respect of doing business in any jurisdiction in

which it is not otherwise so subject; in each state or other jurisdiction in which the Shares have been so qualified, the Bank will file such statements and reports as may be required by the laws of such state or other jurisdiction to continue such qualification in effect until the completion of the distribution of the Shares. The Bank will also supply the Representative with such information as is necessary for the determination of the legality of the Shares for investment under the laws of such jurisdiction as the Representative may reasonably request.

(f) Within two business days following the date of this Agreement, to furnish the Underwriters with copies of the Offering Circular in New York City in such quantities as the Representative may from time to time reasonably request. The Bank will furnish, without charge, during the period when an Offering Circular relating to the Shares is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the Act (as if the Shares were being sold pursuant to a prospectus subject to the Act), such number of copies of the Offering Circular (as amended or supplemented) as such Underwriter may reasonably request.

(g) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen (18) months after the date of the 1934 Act Registration Statement, an earnings statement of the Bank and its subsidiaries.

(h) During the period beginning from the date hereof and continuing to and including the date 180 days after the date hereof (the "Lock-Up Period"), the Bank and the Holding Company will not directly or indirectly offer, sell, contract or grant any option to sell, pledge, transfer or establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the 1934 Act or otherwise dispose of or transfer, or announce the offering of, or file an Offering Circular with the FDIC or a registration statement under the Act in respect of, except as provided hereunder, any Stock or any securities of the Bank that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, Stock or any such substantially similar securities, without the Representative's prior written consent; provided, however, that the foregoing restrictions shall not apply to (A) Shares to be sold hereunder, (B) any shares of Stock issued by the Bank upon the exercise of an option or warrant, the vesting of a restricted stock award or the conversion of a security outstanding on the date hereof and reflected in the General Disclosure Package and the Offering Circular, (C) the issuance of Stock or other securities (including securities convertible into or exchangeable or exercisable for Stock or other securities) in connection with the acquisition by the Bank or any of its subsidiaries of the securities, business, properties or other assets of another person or entity, (D) the issuance of Stock or other securities (including securities convertible into or exchangeable or exercisable for Stock or other securities) in connection with joint ventures, commercial relationships or other strategic transactions; provided further that, the Bank may file with the FDIC or Commission, as applicable, or (E) a registration statement on Form S-4 filed by the Holding Company in connection with the Holding Company Reorganization; provided, further, that the Bank or the Holding Company may file with the FDIC or the Commission, as applicable, registration statements on Form S-8 for any of the plans set forth in clause (B) above during the restrictive period set forth in this Section 5(h). If the Representative, in its sole discretion, agree to release or waive the restrictions set forth in a lock-up agreement executed and delivered for an executive officer or director of the Bank, the Representative will notify the Bank of the impending release or waiver at least three (3) business days before the effective date of the release or waiver, and

upon the Representative's reasonable request, the Bank agrees to announce or cause to be announced by press release through a major news service at least two (2) business days before the effective date of the release or waiver of information concerning the impending release or waiver.

(i) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in each of the General Disclosure Package and the Offering Circular under the caption "Use of Proceeds."

(j) The Bank will register its Stock under Section 12(b) of the 1934 Act; the Bank shall maintain the effectiveness of such registration for not less than two years from the time of effectiveness.

(k) To use its best efforts to list the Shares on the Nasdaq Global Select Market and to maintain the listing of the Shares on Nasdaq or another national securities exchange.

(l) The Bank will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Stock or any other security, whether to facilitate the sale or resale of the Shares or otherwise, and the Bank will, and shall use its best efforts to cause each of its controlled affiliates to, comply with all applicable provisions of Regulation M with respect to the Shares.

(m) The Bank shall comply, and to use its commercially reasonable efforts to cause the Bank's directors and officers, in their capacities as such, to comply, in all material respects, with all effective applicable provisions of the Sarbanes-Oxley Act and the rules and regulations thereunder.

(n) During the Lock-up Period, the Bank will enforce all existing agreements between the Bank and any of its securityholders that prohibit the sale, transfer, assignment, pledge or hypothecation of any of the Bank's securities. In addition, the Bank will direct the transfer agent to place stop transfer restrictions upon any such securities of the Bank that are bound by such existing "lock-up" agreements for the duration of the periods contemplated in such agreements, including, without limitation, "lock-up" agreements entered into by the Bank's officers, directors and shareholders pursuant to Section 7(i).

(o) If at any time following the distribution of any Written Testing-the-Waters Communication, there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication would include any information that conflicted, conflicts or will conflict with the information contained in the Offering Circular, or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Bank will promptly notify the Representative and, if not already superseded by a later filed Offering Circular or amendment or supplement thereto, will promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission.

(p) For a period of two years after the date of this Agreement, the Bank will furnish to the Representative, as soon as they are available, copies of all reports or other communications (financial or other) furnished to holders of the Shares, and copies of any reports relating to the Bank's securities and financial statements of the Bank that are furnished to or filed with the Department, the FDIC, including under Sections 13(a), 13(c), 14 and 15(d) of the 1934 Act, or any national securities exchange or automatic quotation system; provided the Bank will be deemed to have furnished such reports and financial statements to the Representative to the extent they are posted on the Bank's website or on the FDIC's Securities Exchange Act Filings System; and provided further that the Bank will not furnish to the Representative any confidential reports, correspondence or other documents furnished to or received from the Department, the FDIC or other bank regulatory agency.

(q) To the extent the Holding Company Reorganization is consummated within the time periods when the covenants set forth in this Section 7 shall be operative, the Bank shall use its best efforts to cause the Holding Company to comply with all such applicable covenants.

6. The Bank covenants and agrees with the Representative that the Bank will pay or cause to be paid the following, whether or not the transactions contemplated herein are completed: (i) the reasonable out-of-pocket expenses incurred by the Representative in connection with its engagement, including without limitation, legal fees and expenses, marketing, syndication and travel expenses, provided, however, that, absent the Bank's approval, in no event shall the aggregate of the reimbursable expenses contemplated by this clause (i) exceed $175,000; (ii) the cost of obtaining all securities and bank regulatory approvals, including any required FINRA fees, including the filing fees incident thereto, and the fees and disbursements of counsel for the Underwriters in connection therewith; (iii) all fees and disbursements of the Bank's counsel and accountants in connection with the registration of the Shares under the 1933 Act and all other expenses in connection with the preparation, printing and filing of amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (iv) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey; (v) all fees and expenses in connection with listing the Shares on Nasdaq; (vi) the cost of producing any agreement among Underwriters, this Agreement, the Blue Sky survey, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (vii) the cost of preparing stock certificates; (viii) the cost and charges of any transfer agent or registrar; (ix) the costs and expenses of the Bank relating to investor presentations on any "road show" undertaken in connection with the marketing of the Shares, including without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations, travel and lodging expenses of the representatives and officers of the Bank and any such consultants, and the cost of aircraft and other transportation chartered in connection with the road show with the consent of the Bank; and (x) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section.

7. The obligations of the Underwriters hereunder to purchase and pay for the Shares as provided herein to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties of the Bank herein are, at and as of such Time of Delivery, true and correct, the condition that the Bank shall have performed all of their respective obligations hereunder theretofore to be performed, and the following additional conditions:

(a) No stop order shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the FDIC, the Department or any other governmental agency or authority; all requests for additional information on the part of the FDIC, the Department or any other governmental agency or authority shall have been complied with to the Representative's reasonable satisfaction and FINRA shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements;

(b) Silver, Freedman, Taff & Tiernan LLP, counsel for the Underwriters, shall have furnished to the Representative such written opinion, dated the First Time of Delivery, in the form and substance satisfactory to the Representative, as to such matters as the Representative may reasonably request. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the Commonwealth of Pennsylvania and the federal law of the United States, upon the opinions of counsel satisfactory to the Representative. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Bank and its subsidiaries and certificates of public officials;

(c) Stevens & Lee, P.C., counsel for the Bank, shall have furnished to the Representative its written opinion, dated the First Time of Delivery, in form and substance reasonably satisfactory to counsel for the Underwriters to the effect set forth in Exhibit A hereto. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Bank and its subsidiaries and certificates of public officials;

(d) On the date of this Agreement and at each Time of Delivery, KPMG LLP shall have furnished to the Representative a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representative, containing statements and information of the type ordinarily included in accountants "comfort letters" to underwriters with respect to the financial statements of the Bank and certain financial information contained in the General Disclosure Package and the Offering Circular, provided that the letter delivered as of such Time of Delivery shall use a "cut-off" date no more than three (3) business days prior to such Time of Delivery, as applicable;

(e) On the date of this Agreement and on the Date of Delivery, the Company shall have furnished to the Representative a certificate, addressed to the Representative, of its chief financial officer with respect to certain financial data contained in the Offering Circular and the General Disclosure Package, providing "management comfort" with respect to such information;

(f) (i) Neither the Bank nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included in each of the General Disclosure Package and the Offering Circular any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental or regulatory action, order or decree, otherwise than as set forth or contemplated in the General Disclosure Package or the Offering Circular, and (ii) since the respective dates as of which information is given in each of the General Disclosure Package and the Offering Circular, there shall not have been any change in the capital stock (other than as a result of the exercise of outstanding stock options or the vesting of restricted stock awards that are described in the Offering Circular) or long-term debt of the Bank or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, capital adequacy for regulatory purposes, shareholders' equity or results of operations of the Bank and its subsidiaries, otherwise than as set forth or contemplated in each of the General Disclosure Package and the Offering Circular, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Representative, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Offering Circular;

(g) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange or on the Nasdaq Stock Market; (ii) a suspension or material limitation in trading in the Bank's securities on the Nasdaq Global Select Market; (iii) a general moratorium on commercial banking activities declared by either federal, New York State or Pennsylvania State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or a material adverse change in general economic, political or financial conditions in the United States or elsewhere, including without limitation as a result of terrorist activities after the date hereof, or any other calamity or crisis, if the effect of any such event specified in this clause (f) in the sole judgment of the Representative makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Offering Circular;

(h) The Shares to be sold at such Time of Delivery shall have been approved for listing, subject to official notice of issuance, on the Nasdaq Global Select Market;

(i) The Bank has obtained and delivered to the Underwriters executed counterparts of a lock-up agreement reasonably acceptable to the Representative from each of the Bank's directors and executive officers (set forth on Annex I(a));

(j) FINRA shall have confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements;

(k) The Representative shall have received at such Time of Delivery satisfactory evidence of the good standing of the Bank and each of its subsidiaries in their respective jurisdictions of organization and their good standing as foreign entities in such other

jurisdictions as the Representative may reasonably request, in each case, in writing or any standard form of telecommunication from the appropriate governmental authorities of such jurisdictions; and

(l) The Bank shall have furnished or caused to be furnished to the Representative at such Time of Delivery certificates of officers of the Bank reasonably satisfactory to the Representative as to the accuracy of the representations and warranties of the Bank herein at and as of such Time of Delivery, as to the performance by the Bank of all of its obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (e) of this Section 7 and as to such other matters as you may reasonably request.

8. (a) The Bank agrees to indemnify and hold harmless each Underwriter, its affiliates (as such term is defined in Rule 501(b) under the Act) ("Affiliates"), its selling agents, and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the 1934 Act and their respective partners, directors, officers, employees and agents, to the extent and in the manner set forth in clauses (i), (ii) and (iii) below:

(i) against any and all loss, liability (joint or several), claim, damage and expense whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Offering Circular (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, or arising out of any untrue statement or alleged untrue statement of a material fact included in any Preliminary Offering Circular, Issuer Written Communication, any Written Testing-the-Waters Communication provided to investors by, or with the approval of, the Bank, any road show presentation made to investors by the Bank, the General Disclosure Package or the Offering Circular (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that any such settlement is effected with the written consent of the Bank; and

(iii) against any and all expense whatsoever (including the fees and disbursements of counsel chosen by the Representative) reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of, or based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Bank by any Underwriter through the Representative expressly for use in the Registration Statement (or any amendment thereto), or any Preliminary Offering Circular, any Issuer Written Communication, any Written Testing-the-Waters Communication, any road show presentation, the General Disclosure Package, or the Offering Circular (or any amendment or supplement thereto), provided that the Bank and the Underwriters hereby acknowledge and agree that the only information that the Underwriters have furnished to the Bank specifically for inclusion in any Preliminary Offering Circular, the General Disclosure Package, the Offering Circular or any individual Issuer Written Communication, any Written Testing-the-Waters Communication, and any road show presentation, when considered together with the General Disclosure Package, or any amendment or supplement thereto, are (A) the first paragraph appearing in the Offering Circular in the section entitled "Underwriting—Commission and Discounts," (B) the second sentence of the first paragraph, the first sentence of the second paragraph and the first sentence of the third paragraph in the section "Underwriting—Price Stabilization, Short Positions and Penalty Bids," and (C) the first sentence in the section "Underwriting—Passive Market Making," (collectively, the "Underwriter's Information").

(b) Each Underwriter, severally and not jointly, agrees to indemnify and hold harmless the Bank, its officers, directors and each person, if any, who controls the Bank within the meaning of Section 15 of the Act or Section 20 of the 1934 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made any Preliminary Offering Circular, the General Disclosure Package, any Written Testing-the-Waters Communication or any Issuer Written Communication when considered together with the General Disclosure Package, any road show presentation, the General Disclosure Package or the Offering Circular (or any amendment or supplement thereto) in reliance upon and in conformity with the Underwriter's Information; and will reimburse the Bank for any legal or other expenses reasonably incurred by the Bank in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection, unless the indemnifying party has been materially prejudiced thereby. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (which consent shall not be unreasonably withheld, and which counsel shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the

indemnified party in conducting the defense of any such action or that there may be legal defenses available to its and/or other indemnified parties which are materially different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume the legal defense of such indemnified party or parties (but not to control the defense of such action as to the indemnifying party) and to otherwise participate in the defense of such action on behalf of such indemnified party or parties.

(d) After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein (other than as a result of the limitations imposed on indemnification described in such preceding sections of this Section 8), then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Bank on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Bank on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Bank on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (after deducting underwriters' discounts and commissions but before deducting expenses) received by the Bank bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Offering Circular. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Bank on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Bank and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (e) were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable

considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) The remedies provided for in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to an indemnified party at law or in equity.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, the Representative may in the Representative's discretion arrange for the Representative or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six (36) hours after such default by any Underwriter, the Representative does not arrange for the purchase of such Shares, then the Bank shall be entitled to a further period of thirty-six (36) hours within which to procure another party or other parties satisfactory to the Representative to purchase such Shares on such terms. In the event that, within the respective prescribed periods, the Representative notifies the Bank that the Representative has so arranged for the purchase of such Shares, or the Bank notifies the Representative that it has so arranged for the purchase of such Shares, the Representative or the Bank shall have the right to postpone such Time of Delivery for a period of not more than seven (7) days, in order to effect whatever changes may thereby be made necessary in the Offering Circular, or in any other documents or arrangements, and the Bank agrees to file promptly any amendments to the Offering Circular which in the Representative's opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the Representative and the Bank as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-tenth of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Bank shall have the right to require each non-defaulting Underwriter to purchase the number of shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the Representative and the Bank as provided in Section 9(a) hereof, the aggregate number of such Shares which remains unpurchased exceeds one-tenth of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Bank shall not exercise the right described in Section 9(b) hereof to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Bank to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Bank, except for the expenses to be borne by the Bank as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Bank and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Bank and shall survive delivery of and payment for the Shares. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and the indemnified persons referred to in Section 8 hereof. Nothing in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. No purchaser of Shares from any Underwriter shall be deemed to be a successor merely by reason of such purchase.

11. If this Agreement is terminated pursuant to Section 9 hereof, the Bank shall not be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if for any other reason, any Shares are not delivered by or on behalf of the Bank to the extent required hereby, the Bank will reimburse the Underwriters through the Representative for all out-of-pocket expenses, including fees and disbursements of counsel, incurred by the Underwriters in connection with the transactions contemplated hereby, including, without limitation, marketing, syndication and travel expenses incurred in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Bank shall then be under no further liability to any Underwriter except as provided in Sections 1, 8 and 10 hereof, which shall survive such termination and remain in full force and effect.

12. The Bank acknowledges and agrees that:

(a) In connection with the sale of the Shares, the Underwriters have been retained solely to act as underwriters, and no fiduciary, advisory or agency relationship between the Bank on the one hand, and the Underwriters on the other hand, has been created in respect of any of the transactions contemplated by this Agreement;

(b) The price of the Shares set forth in this Agreement was established following discussions and arm's-length negotiations between the Bank and the Underwriters, and the Bank is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated by this Agreement;

(c) It has been advised that the Underwriters and their respective affiliates are engaged in a broad range of transactions that may involve interests that differ from those of the Bank and that the Underwriters have no obligation to disclose such interests and transactions to the Bank by virtue of any fiduciary, advisory or agency relationship; and

(d) It waives, to the fullest extent permitted by law, any claims it may have against the Underwriters for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Underwriters shall have no liability (whether direct or indirect) to the Bank in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Bank, including shareholders, employees or creditors of the Bank.

13. In all dealings hereunder, the Representative shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by the Representative.

14. All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to 1251 Avenue of the Americas, 6th Floor, New York, NY 10020, Attention: General Counsel; with a copy to Silver, Freedman, Taff & Tiernan, LLP, 3299 K Street, N.W., Suite 100, Washington, D.C. 20007, Attention: Philip Ross Bevan, Esq.; if to the Bank shall be delivered or sent by mail to the 9 Old Lincoln Highway, Malvern, Pennsylvania 19355, Attention: Christopher J. Annas, President and Chief Executive Officer, with a copy to Stevens & Lee, P.C., 620 Freedom Business Center, Suite 200, King of Prussia, Pennsylvania 19406, Attention: Sunjeet S. Gill, Esq. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

15. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Bank, and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Bank and each person who controls the Bank or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

16. Time shall be of the essence of this Agreement. As used herein, the term “business day” shall mean any day when the FDIC’s office in Washington, D.C. is open for business.

17. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of laws principles of said state other than Section 5-1401 of the New York General Obligations Law.

THE BANK, ON BEHALF OF ITSELF AND ITS SUBSIDIARIES AND EACH OF THE UNDERWRITERS HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL AND NEW YORK STATE COURTS LOCATED IN THE CITY OF NEW YORK IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING RELATED TO THIS AGREEMENT OR ANY OF THE MATTERS

CONTEMPLATED HEREBY, IRREVOCABLY WAIVES ANY DEFENSE OF LACK OF PERSONAL JURISDICTION AND IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. THE BANK, ON BEHALF OF ITSELF AND ITS SUBSIDIARIES, AND EACH OF THE UNDERWRITERS IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

18. The Bank and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated thereby.

19. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

20. No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto or the party granting such waiver.

21. The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

22. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Bank and the Underwriters, or any of them, with respect to the subject matter hereof.

If the foregoing is in accordance with the Representative's understanding, please sign and return to us four counterparts hereof, and upon the acceptance hereof by the Representative, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters, the Bank in accordance with its terms.

Very truly yours,

MERIDIAN BANK

By: /s/ Christopher J. Annas
Name: Christopher J. Annas
Title: Chairman, President and Chief Executive Officer

Accepted as of the date hereof:

SANDLER O'NEILL & PARTNERS, L.P.,
as Representative of the several Underwriters

By: Sandler O'Neill & Partners Corp.,
the sole general partner

By: /s/Robert Kleinert
Name: Robert Kleinert
Title: Managing Principal

For itself and as Representative of the several Underwriters
listed in Schedule I hereto.

SCHEDULE I

Underwrite	Number of Firm Shares to be Purchased	Number of Optional Shares to be Purchased if Maximum Option Exercised
Sandler O'Neill & Partners, L.P.	1,411,765	211,765
Keefe, Bruyette & Woods, Inc.	588,235	88,235
D.A. Davidson & Co.	352,941	52,941
Total:	2,352,941	352,941

SCHEDULE II

ISSUER-WRITTEN COMMUNICATION

1. Investor Presentation dated October 31, 2017

SCHEDULE III

WRITTEN TESTING-THE-WATERS COMMUNICATION

None

SCHEDULE IV

SUBSIDIARIES OF THE BANK

1. Meridian Land Settlement Services
2. Apex Realty
3. Meridian Wealth Partners, LLC

ANNEX I(a)

List of Directors, Executive Officers subject to Lock-Up Agreements:

Directors (Non-Employee)

Robert M. Casciato
George C. Collier
Robert T. Holland
Edward J. Hollin
Anthony M. Imbesi
Kenneth H. Slack

Executive Officers

Christopher J. Annas
Denise Lindsay
Charles D. Kochka
Joseph L. Cafarchio

EXHIBIT A

FORM OF LOCK-UP AGREEMENT
___________ __, 2017

SANDLER O'NEILL & PARTNERS, L.P.
As Representative of
the other several Underwriters listed in
Schedule I to the Underwriting
Agreement referred to below
c/o Sandler O'Neill & Partners, L.P.
1251 Avenue of the Americas, 6th Floor
New York, New York 10020

Re: Meridian Bank – Proposed Public Offering

Ladies and Gentlemen:

The undersigned understands that you, as Representative of the several Underwriters (as hereinafter defined), propose to enter into an Underwriting Agreement (the "Underwriting Agreement") with Meridian Bank, a Pennsylvania-chartered commercial bank (the "Bank"), providing for the public offering (the "Public Offering") by the several Underwriters named in Schedule I to the Underwriting Agreement (the "Underwriters") of the Bank's common stock, $1.00 par value per share (the "Common Stock").

In consideration of the Underwriters' agreement to purchase and make the Public Offering of the Common Stock, and for other good and valuable consideration receipt and sufficiency of which are hereby acknowledged, the undersigned hereby agrees that, without the prior written consent of Sandler O'Neill & Partners, L.P. ("Sandler O'Neill") on behalf of the Underwriters, the undersigned will not, during the period ending 180 days after the date of the Underwriting Agreement relating to the Public Offering (the "Lock-Up Period"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities issued by the Bank convertible into or exercisable or exchangeable for Common Stock (including without limitation, Common Stock or such other securities convertible into or exercisable or exchangeable for Common Stock (any such other securities, the "Other Securities"), whether now owned or hereinafter acquired by the undersigned or with respect to which the undersigned has or hereinafter acquires the power of disposition, which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") and Common Stock or Other Securities which may be issued upon exercise of a stock option or warrant), or publicly disclose the intention to make any offer, sale, transfer or disposition of the foregoing, (2) enter into any swap or other agreement that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Common Stock or Other Securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or Other Securities, in cash or otherwise. The foregoing restrictions shall not be affected by the proposed holding company reorganization

(the “Reorganization”) expected to be effected by the Bank pursuant to which it will become the wholly owned subsidiary of Meridian Corporation, a Pennsylvania corporation and currently the wholly owned subsidiary of the Bank (the “Company”). The shares of common stock of the Company issued to the undersigned in connection with the Reorganization will be subject to restrictions contained herein for the then remaining period of the Lock-Up Period. For purposes of this Lock-Up Agreement, the term “Common Stock” shall be deemed to also include the shares of common stock of the Company issued to the undersigned in connection with the Reorganization.

Notwithstanding the foregoing, the undersigned may transfer the undersigned’s shares of Common Stock (i) as a bona fide gift or gifts or by will or intestate succession, provided that the donee or donees agree to be bound in writing by the restrictions set forth herein, (ii) to any corporation, trust, family limited partnership or similar entity for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust or general partner of the family limited partnership or similar person, as the case may be, agrees to be bound by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, (iii) pledged in a bona fide transaction outstanding as of the date hereof to a lender to the undersigned, as disclosed in writing to Sandler O’Neill in an appendix to this to this Lock-Up Agreement, (iv) pursuant to the exercise by the undersigned of stock options, vesting of outstanding restricted stock awards or other similar equity incentive awards that have been granted by the Bank prior to, and are outstanding as of, the date of the Underwriting Agreement, or are granted after the date of the Underwriting Agreement pursuant to a plan or arrangement that is in place on the date of the Underwriting Agreement, where the Common Stock received upon any such exercise is held by the undersigned, individually or as fiduciary, in accordance with the terms of this Lock-Up Agreement, (v) to the Bank, or the Company subsequent to the Reorganization, solely to satisfy any tax obligations of the undersigned upon the exercise or vesting of equity awards under any equity incentive plan of the Bank, provided that any filing under Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that is required in connection with any such transfer shall include a statement to the effect that such transfer is being made in connection with the satisfaction of tax obligations, or (vi) with the prior written consent of Sandler O’Neill. For purposes of this Lock-Up Agreement, “immediate family” shall mean any relationship by blood, marriage or adoption, not more remote than first cousin. In addition, the undersigned may establish a 10b5-1 Plan after the date hereof, provided that no sales of Common Stock shall be made pursuant to such 10b5-1 Plan prior to the expiration of the Lock-Up Period.

The undersigned now has and, except as contemplated by clauses (i) through (vi) above, for the duration of the Lock-Up Agreement will have good and marketable title to the undersigned’s shares of Common Stock, free and clear of all liens, encumbrances, and claims whatsoever, except with respect to any liens, encumbrances and claims that were in existence on the date hereof and which have been disclosed to Sandler O’Neill in an appendix to this Lock-Up Agreement. The undersigned also agrees and consents to the entry of stop transfer instructions with the Bank’s transfer agent and registrar (and the Company’s upon completion of the Reorganization) against the transfer of the undersigned’s Common Stock, except in compliance with this Lock-Up Agreement. In furtherance of the foregoing, the Bank (and the Company upon completion of the Reorganization) and its transfer agent are hereby authorized to decline to make

any transfer of securities if such transfer would constitute a violation or breach of this Lock-Up Agreement.

With respect to the Public Offering only, the undersigned waives any registration rights relating to registration under the Securities Act of 1933, as amended, of the offer and sale of any Common Stock and/or any securities convertible into or exchangeable or exercisable for Common Stock, owned either of record or beneficially by the undersigned, including any rights to receive notice of the Public Offering.

The undersigned represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Agreement. The undersigned further understands that Lock-Up Agreement is irrevocable and agrees that the provisions of this Lock-Up Agreement shall be binding also upon the successors, assigns, heirs and personal representatives of the undersigned.

Notwithstanding anything to the contrary contained herein, this Lock-Up Agreement shall automatically terminate if the First Time of Delivery (as such term is defined in the Underwriting Agreement) has not occurred on or before ________ __, 2017. The undersigned understands that the Underwriters are entering into the Underwriting Agreement and proceeding with the Public Offering in reliance upon this Lock-Up Agreement. This Lock-Up Agreement and any claim, controversy or dispute arising under or related to this Lock-Up Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

Very truly yours,
By:____________________________
Name:
Title:

EXHIBIT B

Form of Opinion of Counsel to the Bank

1. The Bank is validly existing as Pennsylvania-chartered bank authorized under the laws of the Commonwealth of Pennsylvania, with the corporate power and authority to own, lease and operate its properties and conduct its business as described in the Offering Circular and the General Disclosure Package and to enter into and perform its obligations under the Underwriting Agreement. The Bank is a member in good standing of the Federal Home Loan Bank System. From the time of the initial confidential submission of the Offering Circular to the FDIC as an exhibit to the 1934 Act Registration through the date hereof, the Bank has met the criteria required to be satisfied in order for an issuer to be deemed an "emerging growth company," as defined in Section 2(a) of the Securities Act.

2. The Bank is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required whether by reason of the ownership or leasing of property or the conduct of business, except where such failure to so qualify, or be in good standing, would not reasonably be expected to have a Material Adverse Effect.

3. The Underwriting Agreement has been duly authorized, executed and delivered by the Bank.

4. The issue and sale of the Shares by the Bank, the compliance by the Bank with all of the provisions of the Underwriting Agreement and the consummation of the transactions therein contemplated and the application of the proceeds from the sale of the Shares as described under the caption "Use of Proceeds" do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under the Bank Agreements and Instruments except for those conflicts, breaches, violations or defaults that would not reasonably be expected to result in a Material Adverse Effect, nor will any such action (A) result in any violation of the provisions of the articles of incorporation or bylaws of the Bank or any of its subsidiaries, (B) result in any violation of any law, statute or any order, rule or regulation of any Governmental Entity having jurisdiction over the Bank or any of its subsidiaries or any of their properties or (C) to the counsel's knowledge, constitute a Repayment Event under, or result in the creation or imposition of any lien, charge or other encumbrance upon any assets or operations of the Bank or any subsidiary pursuant to, any of the Bank Agreements and Instruments, except for, in the case of (B) and (C) above, those conflicts, breaches, violations, defaults or Repayment Events that would not reasonably be expected to result in a Material Adverse Effect; and no consent, approval, authorization, order, registration or qualification of or with any such Governmental Entity is required for the issue and sale of the Shares, the performance by the Bank of its obligations under the Underwriting Agreement or the consummation by the Bank of the transactions contemplated by the Underwriting Agreement except as shall have been obtained or made prior to the date hereof and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters.

5. The Bank is not in violation of its articles of incorporation or bylaws and, to our knowledge, no default, violation or breach by the Bank exists in the due performance or observance of any obligation, agreement, covenant or condition contained in any Bank Agreement and Instrument, except for such defaults that, singly or in the aggregate, would not have a Material Adverse Effect.

6. The statements set forth in the Offering Circular under the captions "Description of Capital Stock," "Description of Holding Company Shares," "Supervision and Regulation" "Business – Legal and Regulatory Proceedings" and "Risk Factors," to the extent such statements contain

descriptions of laws, rules or regulations, and insofar as they describe the terms of the articles of incorporation or the bylaws of the Bank and the Holding Company, documents or legal proceedings, are accurate in all material respects.

7. The Shares have been duly authorized and, when issued, delivered, and paid for in accordance with the Underwriting Agreement, will be validly issued, fully paid and non-assessable; and the issuance and sale of the Shares is not subject to any preemptive right under the laws of the Commonwealth of Pennsylvania or the articles of incorporation or the bylaws of the Bank.

8. To such counsel's knowledge, there are no legal or governmental actions, suits or proceedings pending or threatened which are required to be disclosed in the Offering Circular, other than those disclosed therein.

9. As of the date hereof and after giving effect to the offering and sale of the Shares and after receipt of payment for the Shares and the application of such proceeds as described in the Offering Circular, the Bank is not and will not be an "investment company" as defined in, and that is required to be registered under, the Investment Company Act of 1940, as amended.

10. The deposit accounts of the Bank are insured up to the applicable limits by the Deposit Insurance Fund of the FDIC to the fullest extent permitted by law and the rules and regulations of the FDIC.

In addition, such counsel shall state that, although they are not passing upon and do not assume any responsibility for nor have they independently verified, the accuracy, completeness or fairness of the statements contained in the Offering Circular and the General Disclosure Package, except to the extent set forth in opinion 6 above, in connection with the preparation of the Offering Circular and the General Disclosure Package, such counsel has participated in conferences with representatives and counsel of the Representative and with certain officers and employees of, and counsel and independent registered public accounting firm for, the Bank, at which conferences the contents of the Offering Circular and related matters were discussed, and such counsel advises the Representative that nothing has come to such counsel's attention that would lead such counsel to believe that, as of its date, the Offering Circular or any further amendment or supplement thereto made by the Bank prior to the Time of Delivery (other than the financial statements, related schedules and other financial, statistical and accounting data therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or that, as of the Applicable Time or Time of Delivery, as the case may be, any of the Offering Circular or the General Disclosure Package or any further amendment or supplement thereto made by the Bank prior to the Applicable Time, or Time of Delivery, as the case may be (other than the financial statements, related schedules and other financial, statistical and accounting data therein, as to which such counsel need express no opinion) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Meridian Bank Announces Pricing of Initial Public Offering of Common Stock and Commencement of Trading on The NASDAQ Global Select Market®

MALVERN, Pa., November 6, 2017 (PR Newswire) – Meridian Bank announced today the pricing of its initial public offering of 2,352,941 shares of its common stock at a price to the public of $17.00 per share. The gross proceeds of the offering, before deducting underwriting discounts and commissions and other offering expenses, are expected to be approximately $40.0 million. In addition, Meridian Bank has granted the underwriters a 30-day option to purchase up to an additional 352,941 shares of its common stock.

Meridian Bank also announced today that its application to list its shares of common stock on The NASDAQ Stock Market LLC ("Nasdaq") has been approved. The Bank's common stock will begin trading on The NASDAQ Global Select Market® on November 7, 2017, under the ticker symbol "MRBK." The offering is expected to close on or about November 9, 2017, subject to customary closing conditions.

Meridian Bank intends to use the proceeds to repurchase all of the outstanding shares of its Series 2009A Preferred Stock, Series 2009B Preferred Stock, and Series 2009C Preferred Stock for approximately $12.8 million and for general corporate purposes.

Sandler O'Neill + Partners, L.P. is acting as sole book-running manager for the offering. Keefe, Bruyette & Woods, Inc., a Stifel Company, and D.A. Davidson & Co. are acting as co-managers.

The offering will be made only by means of an offering circular. Copies of the offering circular relating to this offering may be obtained, when available, by contacting Sandler O'Neill + Partners, L.P., Attention: Prospectus Department, 1251 Avenue of the Americas, 6th Floor, New York, NY 10020, or via email at syndicate@sandleroneill.com.

This press release is for informational purposes only and shall not constitute an offer to sell or a solicitation of an offer to buy the securities, which is being made only by means of an offering circular, nor shall there be any sale of the securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful, prior to registration or qualification under the securities laws of any such state or jurisdiction. The securities are neither insured nor approved by the Federal Deposit Insurance Corporation.

About Meridian Bank

Meridian Bank is a full-service, state-chartered commercial bank with offices in Pennsylvania, New Jersey and Delaware. Its teams of experienced lenders service small and middle market businesses throughout the Bank's market area. Meridian Bank promotes electronic banking, minimizing branch visits and reducing people and paper costs. The Bank has a modern, progressive consultative approach to creating innovative solutions. Meridian Bank provides a high degree of service, convenience and products its customers need to achieve their financial objectives, through commercial and commercial real estate, cash management and merchant solutions, homeowner mortgages and trusted advice regarding financial planning and management of wealth.

Forward-Looking Statements

Meridian Bank may from time to time make written or oral "forward-looking statements," including statements contained in the Bank's filings with the FDIC, in its reports to shareholders and in other communications by the Bank (including this press release), which are made in good faith by the Bank pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended.

These forward-looking statements involve risks and uncertainties, such as statements of the Bank's plans, objectives, expectations, estimates and intentions that are subject to change based on various important factors (some of which are beyond the Bank's control). The following factors, among others, could cause the Bank's financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in which the Bank conducts operations; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; inflation, interest rate, market and monetary fluctuations; market volatility; the value of the Bank's products and services as perceived by actual and prospective customers, including the features, pricing and quality compared to competitors' products and services; the willingness of customers to substitute competitors' products and services for the Bank's products and services; credit risk associated with the Bank's lending activities; risks relating to the real estate market and the Bank's real estate collateral; the impact of changes in applicable laws and regulations and requirements arising out of our supervision by banking regulators; other regulatory requirements applicable to the Bank; technological changes; acquisitions; changes in consumer spending and saving habits; and the success of the Bank at managing the risks involved in the foregoing.

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

Contact:

Christopher J. Annas
484.568.5001
CAnnas@meridianbanker.com

OFFERING CIRCULAR

2,352,941 Shares

Common Stock

This is Meridian Bank's initial public offering. We are offering 2,352,941 shares of our common stock.

The initial public offering price per share of our common stock is $17.00. Prior to this offering there has been no public market for our common stock. We have received approval to list our common stock on the NASDAQ Global Select Market under the symbol "MRBK." **We are an "emerging growth company" under the federal securities laws and will be subject to reduced public company reporting requirements.**

Investing in the common stock involves risks that are described in the "Risk Factors" section beginning on page 23 of this offering circular.

	Per Share	Total
Public offering price	$ 17.00	$ 39,999,997
Underwriting discounts and commissions(1)	$ 1.15	$ 2,700,000
Proceeds, before expenses, to us	$ 15.85	$ 37,299,997

(1) Assumes no exercise of the underwriters' purchase option described below. See "Underwriting" in this offering circular for disclosure regarding underwriting discounts, expenses payable to the underwriters and proceeds to us, before expenses.

The underwriters may also exercise their option to purchase up to an additional 352,941 shares from us at the public offering price, less the underwriting discounts and commissions, for 30 days after the date of this offering circular.

Neither the Federal Deposit Insurance Corporation nor any other bank regulatory agency, nor any state securities commission has approved or disapproved of these securities or determined if this offering circular is truthful or complete. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or other obligations of a bank or depository institution. These securities are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency and are subject to investment risk, including possible loss of principal. The securities being offered hereby are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) thereof.

The shares of our common stock will be ready for delivery on or about November 9, 2017.

Book-Running Manager

SANDLER O'NEILL + PARTNERS, L.P.

Co-Managers

KEEFE, BRUYETTE & WOODS, INC.
A Stifel Company

D.A. DAVIDSON & CO.

The date of this offering circular is November 6, 2017.

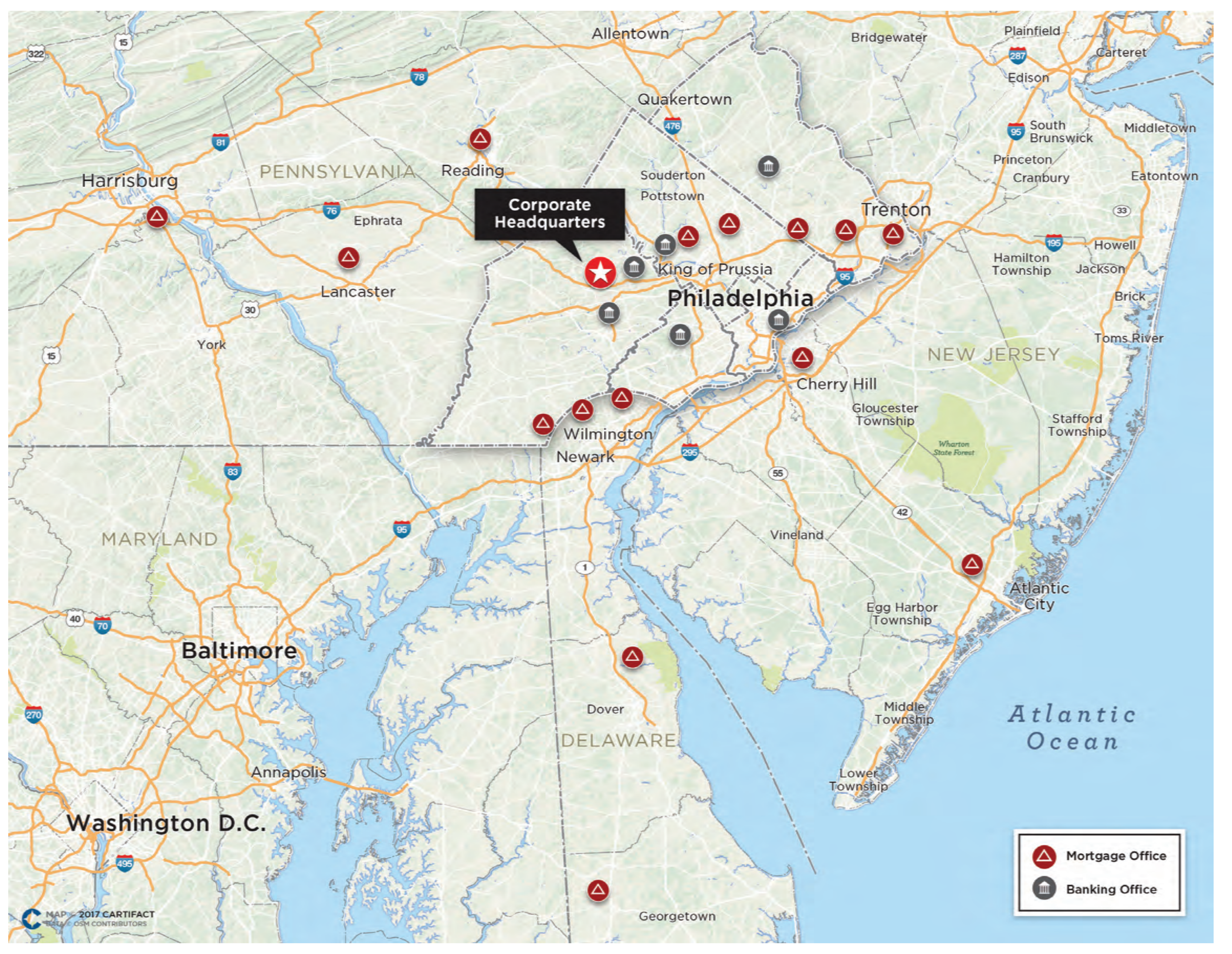

Corporate Headquarters
Mortgage Office
Banking Office
Allentown
Bridgewater
Plainfield
Carteret
Edison
Quakertown
South Brunswick
Middletown
Princeton
Cranbury
Eatontown
Souderton
Pottstown
Trenton
Harrisburg
PENNSYLVANIA
Reading
Ephrata
Hamilton Township
Howell
Jackson
King of Prussia
Lancaster
Philadelphia
Brick
York
Toms River
NEW JERSEY
Cherry Hill
Gloucester Township
Wilmington
Stafford Township
Wharton State Forest
Newark
MARYLAND
Vineland
Atlantic City
Egg Harbor Township
Baltimore
Dover
Middle Township
DELAWARE
Atlantic Ocean
Annapolis
Lower Township
Washington D.C.
Georgetown
MAP © 2017 CARTIFACT

TABLE OF CONTENTS

	Page
OFFERING CIRCULAR SUMMARY	1
THE OFFERING	11
SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING INFORMATION	13
RECENT DEVELOPMENTS	19
RISK FACTORS	23
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	48
USE OF PROCEEDS	50
DIVIDEND POLICY AND DIVIDENDS	51
HOLDING COMPANY FORMATION	52
CAPITALIZATION	54
DILUTION	55
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	57
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	83
BUSINESS	90
SUPERVISION AND REGULATION	112
MANAGEMENT	125
EXECUTIVE AND DIRECTOR COMPENSATION	131
PRINCIPAL SHAREHOLDERS	135
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	138
DESCRIPTION OF CAPITAL STOCK	139
DESCRIPTION OF HOLDING COMPANY SHARES	144
COMPARISON OF SHAREHOLDERS' RIGHTS	148
SHARES ELIGIBLE FOR FUTURE SALE	152
UNDERWRITING	153
VALIDITY OF COMMON STOCK	157
EXPERTS	157
WHERE YOU CAN FIND MORE INFORMATION	157

Exhibit A	Form of Plan of Merger and Reorganization
Exhibit B	Form of Amended and Restated Articles of Incorporation of Meridian Corporation
Exhibit C	Form of Bylaws of Meridian Corporation

Certain Defined Terms

Unless we state otherwise or the context otherwise requires, references in this offering circular to:

- "we", "our", "us", "ourselves", "Meridian", "the company" and "the Company" refer to Meridian Bank, a Pennsylvania banking institution, and its consolidated subsidiaries. For all periods after the completion of the expected holding company formation transactions described in the section entitled "Holding Company Formation," these terms refer to Meridian Corporation, a newly formed Pennsylvania corporation, and its consolidated subsidiaries, including Meridian Bank;

- our "bank" and "Meridian Bank" refer to Meridian Bank, a Pennsylvania banking institution, and, after completion of the holding company formation transactions described above, a direct, wholly-owned subsidiary of Meridian Corporation;

- our "holding company" refers to Meridian Corporation, which is currently a direct wholly-owned subsidiary of Meridian Bank, and, after giving effect to the holding company formation transactions, will become the bank holding company for Meridian Bank pursuant to the BHC Act;

- "BHC Act" refers to the U.S. Bank Holding Company Act of 1956, as amended;

- "Federal Reserve" refers to the Board of Governors of the Federal Reserve System;

- "FDIC" refers to the Federal Deposit Insurance Corporation;

- "PDBS" refers to the Pennsylvania Department of Banking and Securities;

- "fiscal year" refers to our fiscal year, which is based on a twelve-month period ending December 31 of each year (e.g., fiscal year 2016 refers to the twelve-month period ending December 31, 2016); and

- our "stock" refers to our common stock unless otherwise specified.

About This Offering Circular

We and the underwriters have not authorized anyone to provide any information other than that contained in this offering circular or in any other offering document prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering circular is accurate as of any date other than the date on the front cover of this offering circular. This offering circular includes references to information contained on, or that can be accessed through, our website. Information contained on, or that can be accessed through, our website is not part of, and is not incorporated into, this offering circular.

We have proprietary rights to trademarks and other intellectual property appearing in this offering circular that are important to our business. Solely for convenience, the trademarks appearing in this offering circular are without the® symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks and other intellectual property. All trademarks appearing in this offering circular are the property of their respective owners.

Any discrepancies included in this offering circular between totals and the sums of the percentages and dollar amounts presented are due to rounding.

Industry and Market Data

Within this offering circular, we reference certain industry and sector information and statistics. We have obtained this information and statistics from various independent, third party sources. Nothing in the data used or derived from third party sources should be construed as advice. Some data and other information are also based on our good faith estimates, which are derived from our review of internal surveys and independent sources. We believe that these external sources and estimates are reliable, but have not independently verified them. Statements as to our market position are based on market data currently available to us. Although we are not aware of any misstatements regarding the demographic, economic, employment, industry and trade association data presented herein, these estimates involve inherent risks and uncertainties and are based on assumptions that are subject to change.

Implications of Being an Emerging Growth Company

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

- we may present only two years of audited financial statements and only two years of related management discussion and analysis of financial condition and results of operations;
- we are exempt from the requirement to obtain an audit of our internal control over financial reporting under the Sarbanes-Oxley Act of 2002;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements; and
- we are not required to give our shareholders non-binding advisory votes on executive compensation or golden parachute arrangements.

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

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

Holding Company Formation

In May 2017, shareholders of Meridian Bank approved and adopted the Plan of Merger and Reorganization among Meridian Bank, Meridian Interim Bank and Meridian Corporation, whereby, among other things, Meridian Bank will merge with and into Meridian Interim Bank and become a wholly owned subsidiary of Meridian Corporation, with

shareholders of Meridian Bank receiving one share of Meridian Corporation common stock, par value $1.00 per share in exchange for each share of common stock of Meridian Bank presently owned. We have submitted applications to each of the Federal Reserve and the PDBS for approval of this holding company formation transaction, each of which has been approved. We anticipate completing this transaction after completion of this offering. For further information, see “Holding Company Formation.”

OFFERING CIRCULAR SUMMARY

This summary provides a brief overview of important information regarding key aspects of the offering contained elsewhere in this offering circular. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire offering circular carefully, including the more detailed information regarding the risks of purchasing our common stock in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes thereto, before making an investment decision.

Our Company

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

Led by our Chairman and CEO Christopher J. Annas, the bank was formed in 2004. At the heart of our formation was a belief that, due to a considerable level of bank consolidations, the banking needs of middle market businesses in our primary market was not adequately served. Our principle investors believed that a sales oriented, scalable *de novo* bank, with experienced bankers and a more cost-efficient structure than a traditional branch network, could grow and generate attractive returns for shareholders.

As of June 30, 2017, we had total assets of $780.7 million, total loans, net of fees and costs, of $648.4 million, total deposits of $559.5 million and total stockholders' equity of $71.1 million.

As a full-service community bank, Meridian offers products to meet our retail and commercial customer's needs through three principal business line unit distribution channels. Our primary focus is to serve small and middle-market businesses and their executives, entrepreneurs, real estate investors, professionals and high net worth individuals with a variety of financial services and solutions, while maintaining a disciplined approach to risk management. We have invested heavily in commercial lenders and operations personnel to take advantage of what we believe would be significant account turnover among banks due to local merger activity. This bore fruit as we grew our commercial / industrial lending and commercial real estate portfolios over 25% during 2016. Many of these businesses and individuals came to Meridian seeking a more stable banking environment as their existing institutions underwent consolidation. In addition to loan volume, we generated significant new deposit account activity among our customers.

Corporate Structure and Business Line Units

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

<u>Commercial Banking</u>

Our traditional banking operations serving both commercial and consumer customers via deposits and cash management, commercial and industrial lending, commercial real estate lending, shared national credit participations, consumer and home equity lending, merchant services, and title and land settlement services.

Typical borrowers include:

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

Mortgage Banking

A division of the bank, where our mortgage consultants guide our clients through the complex process of obtaining a loan to meet individual specific needs. Originations consist of consumer for-sale mortgage lending, loans to be held within our portfolio, and wholesale mortgage lending services. Clients include homeowners and smaller scale investors. Meridian Bank was named a Top 10 Lender (#6) by the Pennsylvania Housing Finance Agency in 2016. The mortgage division originations for the purchase of homes was 84% of its loan originations for the six months ended June 2017 and 16% was from refinance activity. The average loan size was $196 thousand for the six months ended June 30, 2017.

The bank's mortgage division operates and originates approximately 90% of its mortgage loans in the Pennsylvania, New Jersey and Delaware markets, most typically for 1-4 family dwellings, with the intention to sell substantially all of these loans in the secondary market to qualified investors. Mortgages are originated through sales and marketing initiatives, as well as realtor, builder, bank, advertising and customer referral resources. The bank utilizes a web-based loan origination system for origination, secondary pricing/lock-in, processing, closing, post-closing and government reporting. The division's main origination, processing, underwriting, closing and post-closing functions are performed at the Plymouth Meeting mortgage headquarters with 14 other production/processing offices. In 2016, Meridian Bank generated $892 million in loan originations, comprised of 4,358 individual mortgage loans, of which 98% were sold to investors. The chart below shows information regarding the mortgage loan division since 2012.

(Dollars in thousands)	**As of and for the Six Months Ended June 30,**		**As of and for the Years Ended December 31,**				
	2017	**2016**	**2016**	**2015**	**2014**	**2013**	**2012**
Loans funded	$335,604	$415,613	$910,239	$826,816	$591,072	$610,003	$515,400
Number of loans funded	1,648	2,033	4,358	4,148	2,990	2,919	2,155
Purchased loan financing	84.9%	80.2%	77.0%	74.7%	81.2%	63.2%	41.0%
Mortgage banking revenue as a percentage of loans funded	4.52%	4.26%	4.55%	4.07%	4.15%	3.49%	2.75%
Mortgage banking revenue (gross)	$ 15,185	$ 17,691	$ 41,431	$ 33,665	$ 24,533	$ 21,295	$ 14,183
Mortgage banking net income (loss)	(260)	743	1,498	2,226	1,275	1,273	1,035

The division plans on a steady, managed growth policy of deliberate production locations and personnel hiring. From time to time opportunities exist that we may take advantage of by establishing new production offices that we would not normally consider because of their location outside our primary market, but because of the quality of individuals involved, we would consider opening a mortgage loan production office for them or assuming these personnel into our current network.

Currently, many opportunities exist in the mortgage lending market for a well-capitalized community bank such as Meridian. Many larger banks have exited the market or substantially cut back on new originations in part due to

legacy losses arising from the lending frenzy of the mid 2000's. The large players that remain are not, in our opinion able to offer the same level of customer satisfaction or loan officer support that Meridian Bank can offer. Given our reputation, we have been able to recruit purchase oriented mortgage loan officers. Many of our new loan officers are associated with realtor offices throughout the region via exclusive marketing agreements with those offices. Thus, our production is predominately purchase oriented, rather than refinancing.

Wealth Management and Advisory Services

Meridian Wealth, a registered investment advisor and wholly-owned subsidiary of the bank, provides a comprehensive array of wealth management services and products and the trusted guidance to help its clients and our banking customers prepare for the future. Such clients include professionals, higher net worth individuals, companies seeking to provide benefits plans for their employees, and more. Acquiring and sustaining wealth is a gradual progression, one that requires a considerable amount of thought and planning. Our process takes a comprehensive approach to financial planning and encompasses all aspects of retirement, with an emphasis on sustainability. As of June 30, 2017, we have $659 million in assets under management.

Meridian Wealth acquired HJ Wealth Management, LLC ("HJ Wealth") in April 2017. This newly combined group brings together the experience of Meridian's own advisors, with their direct access to banking products and services and the breadth and long experience of HJ Wealth's management and staff.

Founded in 2000 by certified public accountants, HJ Wealth's proprietary analytical system, the Progression of Wealth®, is a discipline that connects the management of wealth to meaningful personal goals. HJ Wealth's client-first perspective made them a perfect match for Meridian's own business philosophy.

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

Our History and Growth

Meridian was founded in 2004. Historically, the bank focused on commercial lending, but maintained an opportunistic approach to lines of businesses that are synergistic. In 2005, the bank began to offer title insurance services through Meridian Land Settlement Service and also began to develop its wealth advisory business. Both began as an accommodation to our customers but now have become mainstay services for which we plan considerable growth. In 2010, we had the opportunity to hire a group of seasoned mortgage lenders, who had been with another regional bank prior to its sale to a large out of state financial institution. We hired 10 mortgage originators in the first year and have now grown that division to over 100 loan originators. In 2015 through mid-2016 we hired 12 commercial loan officers from various local institutions who were also disenchanted with the effects of their bank's merger/consolidation. The expansion of the commercial lending group, along with the expansion of the mortgage division, has allowed Meridian to expand into new markets, such as Media, Doylestown and Blue Bell.

Throughout the years of expansion, Meridian has been able to grow successfully with the help of two prior capital raises, and through the issuance of preferred stock in 2009 pursuant to the U.S. Treasury's Troubled Asset Relief Program (TARP program). In addition, the bank has historically been a strong earner, becoming profitable as a de novo in its 5th quarter of operation. We believe our approach to growth and our ability to be nimble and opportunistic, along with a strong and early focus on profitability, have enabled us to out-perform de novo peers that operated in our market, many of which no longer exist.

Our Strategic Plan

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

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

Focus on organic growth. We intend to continue to grow our business organically in a focused and strategic manner. In late 2015 and throughout 2016 we added staff and upgraded systems to create a structure to support a larger organization. Over the past two years, we have hired new lending and credit administration teams as well as IT and compliance personnel. We believe that our overall capabilities, culture and opportunities for career growth will allow us to continue to attract talented new commercial and retail bankers to our business and enable our existing banking teams to drive loan growth. We also believe our lenders have further capacity to penetrate the markets and communities they serve as the brand awareness of Meridian Bank continues to grow.

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

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

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

These values are consistent with our belief that it is important to invest in our people, our customers and our communities. We believe these investments will enable us to attract and retain talent that fits our team concept and culture. We believe that our culture and the quality of our people have been catalysts of our success and will continue to propel our future success. Management has also set four strategic objectives designed to help us achieve maximum shareholder value, grow our Meridian brand and manage risk.

<u>Strategic Objectives</u>

Meet the needs of our clients. To meet the needs of our business and individual customers we prefer to provide choices to reach the best solution. As an early adopter of check scanning technology, we aim to provide advanced electronic alternatives as well as in-person choices to our clients. Our one branch per county plan is well underway, with the recent opening of the Blue Bell office and the expected opening of the Philadelphia office in November 2017, which will give us six total banking offices in the Delaware Valley. These branches also serve as important points for the community support that is such a critical part of our corporate philosophy. We will opportunistically consider and add branches, but only when viewed as wisely supporting growth demands.

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

- increase our market penetration by adding new business development officers;
- offer online account opening with best in class customer experience;

- cross-selling products to customers;
- optimize funding strategies given the interest rate environment; and
- access new markets

Grow the Meridian brand. As we have grown, Meridian has worked to strengthen its brand in our market area. Through consistent advertising, branch and office expansion, business development activities and community involvement, the bank has shared the Meridian story and elevated its brand awareness. Brand, product and location-oriented campaigns have run on local television, radio and digital media. The bank's social media following has grown and will be further supported by a website redesign slated to roll out at the end of the third quarter of 2017. We intend to continue to:

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

Maintain strong community support. A local bank needs to be directly connected to the communities it serves. With this in mind, we whole-heartedly believe in a "Meridian everywhere" approach. Our employees serve on boards, volunteer their time, and help raise funds for local non-profits. Our Spirit Committee works with community organizations to identify volunteer opportunities and gives employees a volunteer day each year. The bank has a presence at more than one hundred community events annually and has donated more than $2.8 million since inception to charities and nonprofits in the communities we serve.

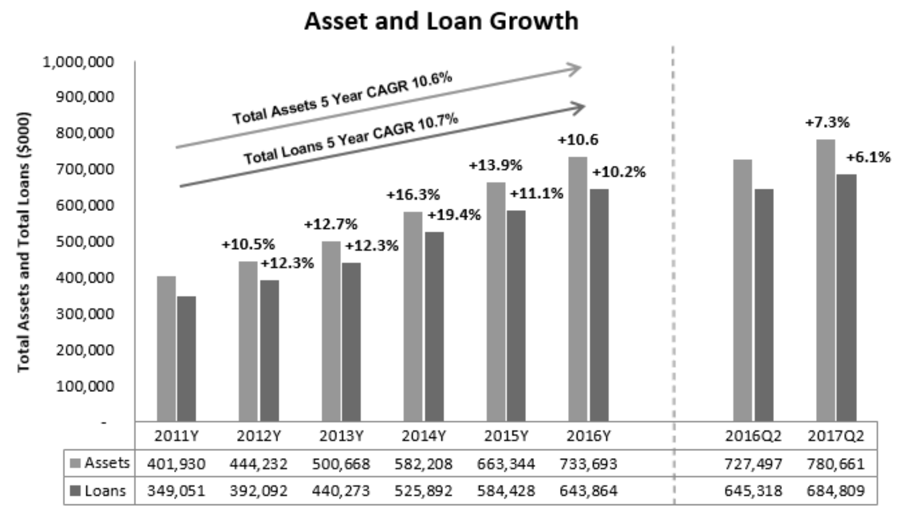
Our Competitive Strengths

Quality and stability of key management and board of directors with a strong track record. Our seasoned executive management team has extensive local knowledge of the banking industry. Drawing on their experience and deep ties to the community, our management team has grown the bank from its de novo beginnings to nearly $800 million in assets. Under their leadership, we have successfully grown through the recession, expanded our mortgage and wealth management divisions and navigated the challenges of regulatory reform. We believe management's track record of performance, guided by our board, will drive the continued growth of our franchise.

Business model. Management's strategic growth plan for the bank incorporates significant use of alternative delivery channels, such as remote deposit capture, mobile banking and bank-to-bank ACH. These customer driven services and products allow Meridian to minimize the number of branch locations as well as its branch staffing, to achieve a low-cost, efficient branch structure. Because of this structure, branch offices are equipped with state-of-the-art technology, including a teller cash recycler (TCR) for quick and easy transactions and a conversation area to demonstrate mobile and online banking on a tablet and a touch screen computer. With these tools, the customer is educated and encouraged to use our electronic banking channels. Meridian's monthly average for deposits submitted electronically for the six months ended June 30, 2017 was 87% of total deposit transactions.

Asset generation. Meridian has built its loan customer base from vigorous and consistent outreach by customer-facing personnel to businesses in our region. We have over 30 lending officers, a majority of whom have over 20 years of credit lending in this community. It is our strategic goal to reach businesses in the region by placing one full-service branch in and around the counties surrounding Philadelphia while also supporting those branches with loan production offices. In total, the bank will have 22 offices after the opening of the Philadelphia branch in November 2017. These loan production offices primarily facilitate growth in mortgage banking outside of Meridian's traditional branch footprint.

Meridian's asset growth has been strong and steady since opening in 2004. Total assets at December 31, 2011 were $401.9 million and have grown at a compounded annual growth rate of 10.6% to $733.7 million at the end of 2016. The increase is driven by growth in the loan portfolio as shown in the five-year chart below, along with the growth rates for 2017 year-to-date.



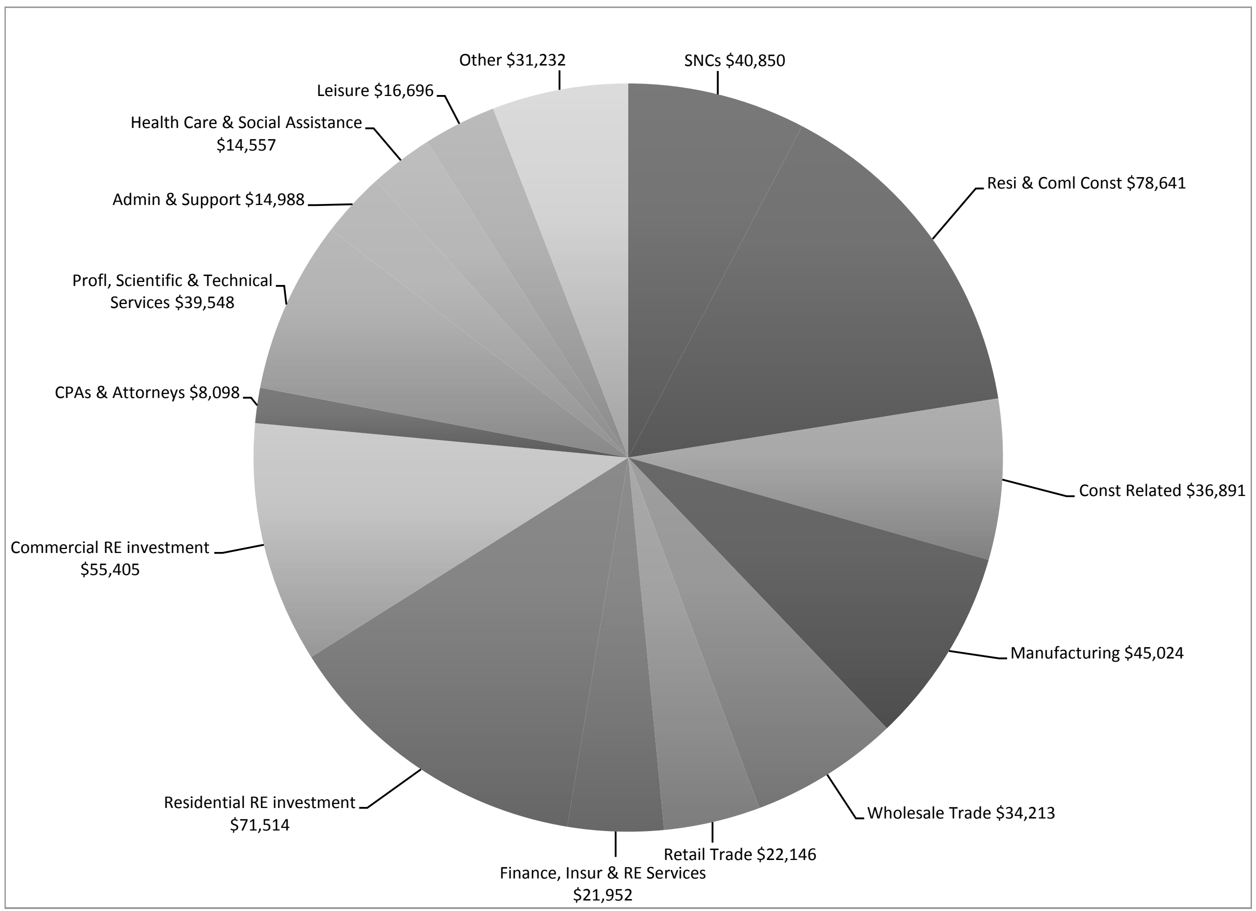
Our Management Team. Meridian is poised for organic and acquisition-related growth under the direction of our Management Team, who bring across-the-board competencies and experiences in both commercial and retail banking:

- Christopher J. Annas, Chairman, CEO and President who has 38 years of banking experience
- Denise Lindsay, EVP Chief Financial Officer who has 25 years of banking experience and who has worked with our CEO for 13 years
- Charles D. Kochka, EVP Chief Lending Officer who has 39 years of banking experience and who has worked with our CEO for 16 years
- Joseph L. Cafarchio, EVP Chief Credit Officer who has 37 years of banking experience and who has worked with our CEO for 15 years
- Thomas J. Campbell, SVP Mortgage Lending who has 31 years of banking experience and who has worked with our CEO for 7 years
- Edward J. Carpoletti, SVP Wealth Management who has 47 years of banking experience and who has worked with our CEO for 13 years
- Clarence Martindell, SVP CRE Lending who has 27 years of banking experience and who has worked with our CEO for 8 years
- James D. Nelsen, SVP Lending who has 44 years of banking experience and who has worked with our CEO for 10 years

The executive leadership and senior management teams' success in executing strategic initiatives has been accomplished via the long term recruitment of highly experienced officers with successful track records to pursue relationship-based banking. The team brings an entrepreneurial approach to the otherwise typically traditional banking field.

Loan Portfolio. Our loan offerings are designed to provide a broad range of lending tools to meet the immediate and long term financing needs of our clients. We leverage the knowledge and expertise of our relationship managers and loan officers in a consultative approach. For business and commercial real estate loans, we focus on entrepreneurs, small businesses, and middle-market level companies in our market area. Consumer, retail and mortgage lending customers can be both within and outside of our traditional branch footprint based upon the broader locations of our loan production offices. Since inception, we have focused on building diversification to create a balanced level of commercial and industrial loans, commercial real estate loans and consumer loans. Our portfolio covers 19 primary industry groups with no single industry accounting for more than 15% of the portfolio. At June 30, 2017, the commercial loan portfolio consisted of 1,170 loans with an average size of approximately $455,000.

The graph below shows the diversification of our commercial loan portfolio at June 30, 2017.



Industry Concentration	**Current Balance**	**Percent of Total**
Administration and Support	$15.0	2.82%
Commercial Real Estate Investment	$55.4	10.41%
Construction Related	$36.9	6.93%
CPAs and Attorneys	$ 8.1	1.52%
Finance, Insurance and Real Estate Services	$22.0	4.13%
Health Care and Social Assistance	$14.6	2.74%
Leisure	$16.7	3.14%
Manufacturing	$45.0	8.46%
Scientific and Technical Services	$39.5	7.43%
Residential and Commercial Construction	$78.6	14.78%

Residential Real Estate Investment	$71.5	13.44%
Retail Trade	$22.1	4.16%
Shared National Credits	$40.9	7.68%
Trade/Wholesale Distributions	$34.2	6.43%
Other	$31.6	5.94%
Total	**$532.1**	**100.00%**

Commercial and Industrial Lending

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

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

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

Commercial Real Estate Lending

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

The following summarizes our commercial real estate product offerings:

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

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

Consumer and Personal Loans

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

Market Area

Locations. Meridian Bank is headquartered in Malvern and has five full-service branches. Its main branch, in Paoli, serves the Main Line. The West Chester and Media branches serve Chester and Delaware counties, respectively, while the Doylestown and Blue Bell branches serve Bucks and Montgomery counties. An additional branch is scheduled to open in Philadelphia in November 2017. These branches will provide new "Relationship Hubs" for our regional lending groups and allow Meridian to proceed in its plan for serving markets in each of the central (at or near the county seat) townships of the counties in and surrounding Philadelphia. In addition to our deposit taking branches, there are currently 17 other offices, including commercial loan production offices and headquarters for Corporate, the Wealth Division and the Mortgage Division. Other than our corporate headquarters, all of our offices are leased.

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

Housing Market. We believe that the Philadelphia housing market is quite strong compared to national trends. Builders are seeing the potential demand of the next wave of buyers as they reach milestone events (i.e., getting married, starting careers, having children, etc.). All of these trends are indicators that with supply sinking and increasing prices, we are not in a saturated market. This is a driver for loans goals, particularly for commercial real estate (CRE).

Our Competition

The primary service area, and all of the Delaware Valley, has undergone a major change in the banking structure over the past ten years. The merger activity that has occurred since 2009 when the recession began was significant to financial institutions in terms of retail deposits and small business services. The mergers caused turmoil for many local customers, and created opportunities for other banks to seize deposit and loan market share. The more recent post-recession purchases of larger regional banks have created a similar environment in our market area. When these banks consolidated, customers were affected by new fee structures, branch closings and centralized services that were, in many cases, moved several hundred miles away, often causing them to seek new locally-based institutions to satisfy their banking needs.

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

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

Risks Related to Our Company

An investment in our common stock involves substantial risks and uncertainties. Investors should carefully consider all of the information in this offering circular, including the detailed discussion of these risks under "Risk Factors" beginning on page 23, prior to investing in our common stock.

Our Corporate Information

We are headquartered at Nine Old Lincoln Highway, Malvern, Pennsylvania 19335 and our telephone number is (866) 327-9199. Our website address is www.meridianbanker.com. Information contained on, or that can be accessed through, our website is not incorporated by reference into this offering circular, and you should not consider information on our website to be part of this offering circular.

THE OFFERING

Common stock offered by us	2,352,941 shares
Option to purchase additional shares	352,941 shares from us
Common stock to be outstanding after this offering	6,039,346 shares of common stock (or 6,392,287 shares if the underwriters exercise in full their option to purchase additional shares from us)
Use of proceeds	We estimate that the net proceeds to us from the sale of our common stock in this offering will be approximately $36.8 million, or approximately $42.4 million if the underwriters elect to exercise in full their option to purchase additional shares from us, after deducting underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds from this offering to repurchase all outstanding shares of our 2009A Preferred Stock, 2009B Preferred Stock and 2009C Preferred Stock for approximately $12.8 million and for general corporate purposes. See "Use of Proceeds."
Voting rights	Each holder of our common stock will be entitled to one vote per share on all matters on which our shareholders generally are entitled to vote. See "Description of Capital Stock" for more information. See also "Description of Holding Company Shares" and "Comparison of Shareholders' Rights."
Dividend policy	We do not expect to pay cash dividends on our common stock in the near-term. Instead, we anticipate that all of our future earnings will be retained to support our operations and finance the growth and development of our business. Any future determination to pay dividends on our common stock will be made by our board of directors and will depend upon our results of operations, financial condition, capital requirements, regulatory and contractual restrictions, our business strategy and other factors that our board of directors deems relevant. See "Dividend Policy and Dividends."
Preemptive rights	Purchasers of our common stock sold in this offering will not have any preemptive rights.
Listing	We have received approval to list our common stock on the NASDAQ Global Select Market under the symbol "MRBK."
Risk factors	Investing in our common stock involves significant risks. See "Risk Factors", beginning on page 23, for a discussion of certain factors that you should carefully consider before deciding to invest in our common stock.

Unless we specifically state otherwise, all information in this offering circular is as of the date set forth on the front cover of this offering circular and:

- assumes no exercise of the underwriters' option to purchase additional shares of our common stock;
- assumes no exercise of the 122,928 stock options that were outstanding and exercisable as of June 30, 2017; and
- excludes 153,150 shares of common stock that may be granted under our 2016 equity incentive plan.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

You should read the summary historical consolidated financial and operating data set forth below in conjunction with the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Capitalization", as well as our consolidated financial statements and the related notes included elsewhere in this offering circular. The following table summarizes certain selected consolidated financial data for the periods presented. Our historical results may not be indicative of our future performance. The summary historical consolidated financial and operating information presented below contains financial measures that are not presented in accordance with accounting principles generally accepted in the United States ("GAAP") and have not been audited.

(Dollars in thousands, except per share data)	**As of and for the Six Months Ended June 30,**		**As of and for the Years Ended December 31,**				
	2017	**2016**	**2016**	**2015**	**2014**	**2013**	**2012**
Selected Period End Balance Sheet Data:							
Cash and cash equivalents	$ 10,349	$ 11,221	$ 18,872	$ 19,159	$ 10,330	$ 11,407	$ 8,666
Investment securities	51,027	47,524	47,552	39,739	30,913	30,495	26,150
Loans receivable, gross (includes loans held for sale)	684,809	645,318	643,864	584,428	525,892	440,273	392,092
Loans held for sale	36,411	102,309	39,573	83,684	45,065	34,992	41,156
Allowance for loan losses	(6,214)	(5,244)	(5,425)	(5,298)	(5,008)	(4,084)	(4,900)
Goodwill and intangible assets, net	5,640	-	-	-	-	-	-
Total assets	780,661	727,497	733,693	663,344	582,208	500,668	444,232
Interest-bearing deposits	461,525	457,958	431,034	430,068	422,331	351,423	333,073
Total deposits	559,519	531,417	527,136	490,568	462,709	387,398	368,851
Total liabilities	709,523	659,135	663,730	610,423	537,167	460,957	406,737
Total stockholders' equity	71,138	68,362	69,963	52,921	45,041	39,711	37,495
Selected Income Statement Data:							
Interest income	$ 16,720	$ 14,737	$ 30,980	$ 27,981	$ 25,262	$ 21,662	$ 20,213
Interest expense	2,957	2,500	5,192	4,590	3,752	3,409	3,581
Net interest income	13,763	12,237	25,788	23,391	21,510	18,253	16,632
Provision for loan losses	780	307	1,198	1,434	2,543	861	1,514
Net interest income after provision for loan losses	12,983	11,930	24,590	21,957	18,967	17,392	15,118
Noninterest income	17,071	18,678	42,844	36,121	25,289	23,143	17,075
Noninterest expense	28,043	27,025	59,913	48,642	37,678	34,663	26,250
Net income before income taxes	2,011	3,583	7,521	9,436	6,578	5,872	5,943
Income tax expense	665	1,260	2,599	3,248	2,271	2,003	1,904
Net income	1,346	2,323	4,922	6,188	4,307	3,869	4,039
Preferred stock dividends and net accretion	(578)	(578)	(1,156)	(1,099)	(890)	(717)	(717)
Net income available to common shareholders	768	1,745	3,767	5,089	3,417	3,152	3,322
Selected Per Share Data:							
Earnings per common share, basic	0.21	0.56	1.12	1.91	1.38	1.30	1.37
Earnings per common share, diluted	0.21	0.55	1.11	1.88	1.35	1.24	1.31
Book value per common share	15.81	15.16	15.50	15.43	12.48	11.06	10.17
Tangible book value per common share[(1)]	14.28	15.16	15.50	15.43	12.48	11.06	10.17
Weighted average common shares outstanding, basic	3,686	3,117	3,362	2,669	2,484	2,429	2,429
Weighted average common shares	3,712	3,146	3,389	2,706	2,523	2,548	2,534

(Dollars in thousands, except per share data)	As of and for the Six Months Ended June 30,		As of and for the Years Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
outstanding, diluted							
Shares outstanding at the end of period	3,686	3,663	3,685	2,598	2,580	2,430	2,430
Selected Performance Metrics:							
Return on average assets (ROAA)	0.37%	0.72%	0.71%	1.02%	0.80%	0.84%	0.99%
ROAA (bank only) (1)	0.45%	0.54%	0.55%	0.72%	0.60%	0.61%	0.77%
Return on average stockholders' equity (ROAE)	3.92%	7.72%	7.69%	12.78%	10.32%	10.19%	11.33%
Net interest spread	3.69%	3.71%	3.67%	3.83%	4.01%	4.02%	3.99%
Net interest margin (NIM)	3.93%	3.90%	3.87%	3.98%	4.13%	4.16%	4.22%
Efficiency ratio	90.95%	87.42%	87.30%	81.73%	80.51%	83.74%	77.88%
Efficiency ratio (bank only) (1)	79.43%	78.55%	76.32%	69.27%	68.74%	75.32%	69.38%
Noninterest income to average assets	4.67%	5.77%	6.21%	5.96%	4.70%	5.02%	4.17%
Noninterest income to average assets (bank only) (1)	0.46%	0.21%	0.26%	0.22%	0.28%	0.24%	0.74%
Noninterest expense to average assets	7.67%	8.34%	8.68%	8.03%	7.00%	7.53%	6.41%
Yield on interest-earning assets	4.74%	4.67%	4.62%	4.74%	4.83%	4.91%	5.09%
Cost of interest-bearing liabilities	1.06%	0.96%	0.95%	0.91%	0.82%	0.89%	1.10%
Yield on loans	5.02%	4.96%	4.89%	4.99%	5.10%	5.22%	5.46%
Cost of deposits	0.83%	0.75%	0.77%	0.71%	0.70%	0.78%	1.00%
Tangible common equity to tangible assets (1)	6.79%	7.63%	7.78%	6.04%	5.53%	5.37%	5.56%
Tangible equity to tangible assets(1)	8.45%	9.40%	9.54%	7.98%	7.74%	7.93%	8.44%
Selected Credit Quality Ratios:							
Nonperforming assets to total assets	0.54%	0.80%	0.73%	0.63%	0.67%	1.93%	2.93%
Nonperforming loans to total loans	0.61%	0.88%	0.83%	0.68%	0.66%	1.79%	2.15%
Allowance for loan losses to nonperforming loans	148.13%	92.13%	101.90%	133.65%	143.21%	51.70%	58.11%
Allowance for loan losses to total loans	0.91%	0.81%	0.84%	0.91%	0.95%	0.93%	1.25%
Allowance for loan losses to total loans held-for-investment	0.96%	0.97%	0.90%	1.06%	1.04%	1.01%	1.40%
Net charge-offs to average loans	0.00%	0.06%	0.17%	0.21%	0.34%	0.42%	0.31%
Capital Ratios:							
Tier 1 leverage capital ratio	8.85%	10.13%	9.67%	8.39%	7.91%	8.42%	8.55%
Tier 1 risk-based capital ratio	9.39%	10.69%	10.62%	9.29%	8.33%	8.59%	8.83%
Total risk-based capital ratio	12.21%	13.64%	13.51%	12.58%	11.73%	10.17%	10.45%
Common equity tier 1 capital ratio	7.57%	8.67%	8.68%	7.04%	N/A	N/A	N/A

(1) Tangible book value per share, ROAA (bank only), efficiency ratio (bank only), noninterest income to average assets (bank only), tangible common equity to tangible assets, and tangible equity to tangible assets are non-GAAP financial measures. See "—Non-GAAP Financial Measures" for a reconciliation of these measures to their most comparable GAAP measures.

Non-GAAP Financial Measures

Some of the financial measures included in this offering circular are not measures of financial performance recognized by GAAP. These non-GAAP financial measures include "tangible book value per share," "ROAA (bank only)," "efficiency ratio (bank only)," "noninterest income to average assets (bank only)," and "tangible equity to tangible

assets." Our management uses these non-GAAP financial measures in its analysis of our performance for the reasons described below.

Tangible book value per share

Tangible book value is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. For tangible book value, the most directly comparable financial measure calculated in accordance with GAAP is our book value. We believe that this measure is important to many investors in the marketplace who are interested in changes from period to period in book value per common share exclusive of changes in intangible assets. Goodwill and other intangible assets have the effect of increasing total book value while not increasing our tangible book value. The table below provides the non-GAAP reconciliation for tangible book value per share:

(Dollars in thousands, except per share data)	As of June 30,		As of December 31,				
	2017	2016	2016	2015	2014	2013	2012
Tangible common equity:							
Total stockholders' equity	$ 71,138	$ 68,362	$ 69,963	$ 52,921	$ 45,041	$ 39,711	$ 37,495
Less:							
Preferred stock	12,845	12,845	12,845	12,845	12,845	12,837	12,775
Goodwill	899						
Intangible assets	4,741	-	-	-	-	-	-
Tangible common equity	$ 52,653	$ 55,517	$ 57,118	$ 40,076	$ 32,196	$ 26,874	$ 24,720
Tangible book value per common share:							
Tangible common equity	$ 52,653	$ 55,517	$ 57,118	$ 40,076	$ 32,196	$ 26,874	$ 24,720
Shares of common stock outstanding	3,686	3,663	3,685	2,598	2,580	2,430	2,430
Tangible book value per common share	$14.28	$15.16	$15.50	$15.43	$12.48	$11.06	$10.17

ROAA (bank only)

Management uses the measure ROAA (bank only) to assess the performance of our core banking business and the growth of our core banking assets. We believe that this non-GAAP financial measure is useful to investors because, by removing the impact of our mortgage division, it allows investors to more easily compare our ROAA to other companies and banks in the industry. This non-GAAP financial measure should not be considered a substitute for ROAA determined in accordance with GAAP and may not be comparable to other similarly titled measures used by other companies. The table below provides the non-GAAP reconciliation for ROAA (bank only):

(Dollars in thousands)	For the six months ended June 30,		For the year ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
Bank only net income:							
Net income, consolidated	$ 1,346	$ 2,323	$ 4,922	$ 6,188	$ 4,307	$ 3,869	$ 4,039
Less:							
Mortgage division net income (loss)	(260)	743	1,498	2,226	1,275	1,273	1,035
Bank only net income	$ 1,606	$ 1,580	$ 3,424	$ 3,962	$ 3,032	$ 2,596	$ 3,004
Bank only average assets:							

(Dollars in thousands)	For the six months ended June 30, 2017	2016	For the year ended December 31, 2016	2015	2014	2013	2012
Total average assets	$ 737,646	$ 651,320	$ 690,300	$ 606,120	$ 540,894	$ 460,798	$ 414,397
Less:							
Mortgage division average assets	25,676	62,166	71,562	57,913	38,058	32,616	23,567
Bank only average assets	$ 711,970	$ 589,154	$ 618,738	$ 548,207	$ 502,836	$ 428,182	$ 390,830
ROAA (bank only):							
ROAA (bank only)	0.45%	0.54%	0.55%	0.72%	0.60%	0.61%	0.77%

Efficiency ratio (bank only)

Management uses the measure efficiency ratio (bank only) to assess the expense related to our core banking business. We believe that this non-GAAP financial measure is useful to investors because, by removing the impact of our mortgage division, it allows investors to more easily compare our efficiency to other companies and banks in the industry. This non-GAAP financial measure should not be considered a substitute for the efficiency ratio determined in accordance with GAAP and may not be comparable to other similarly titled measures used by other companies. The table below provides the non-GAAP reconciliation for efficiency ratio (bank only):

(Dollars in thousands)	For the six months ended June 30, 2017	2016	For the year ended December 31, 2016	2015	2014	2013	2012
Bank only noninterest expense:							
Total noninterest expense	$ 28,043	$ 27,025	$ 59,913	$ 48,642	$ 37,678	$ 34,663	$ 26,250
Less:							
Mortgage division noninterest expense	15,972	12,279	39,695	32,203	22,119	20,412	12,908
Bank only noninterest expense	$ 12,071	$ 9,746	$ 20,218	$ 16,439	$ 15,559	$ 14,251	$ 13,342
Bank only net interest and non-interest income:							
Total net interest income	$ 13,763	$ 12,237	$ 25,788	$ 23,391	$ 21,510	$ 18,253	$ 16,632
Less:							
Mortgage division net interest income	182	449	920	844	292	350	274
Bank only net interest income	$ 13,581	$ 11,788	$ 24,868	$ 22,547	$ 21,218	$ 17,903	$ 16,358
Total non-interest income	$ 17,071	$ 18,678	$ 42,844	$ 36,121	$ 25,289	$ 23,143	$ 17,075
Less:							
Mortgage division non-interest income	15,455	18,059	41,221	34,935	23,873	22,126	14,202
Bank only non-interest income	$ 1,616	$ 619	$ 1,623	$ 1,186	$ 1,416	$ 1,017	$ 2,873
Bank only net interest income and non-interest income	$ 15,197	$ 12,407	$ 26,491	$ 23,733	$ 22,634	$ 18,920	$ 19,231
Efficiency ratio (bank only):							
Efficiency ratio (bank only)	79.43%	78.55%	76.32%	69.27%	68.74%	75.32%	69.38%

Noninterest income to average assets (bank only)

Management uses the measure noninterest income to average assets (bank only) to assess the performance of our core banking business and the growth of our core banking assets. We believe that this non-GAAP financial measure is useful to investors because, by removing the impact of our mortgage division, it allows investors to more easily compare our noninterest income to average assets to other companies and banks in the industry. This non-GAAP financial measure should not be considered a substitute for the ratio determined in accordance with GAAP and may not be comparable to other similarly titled measures used by other companies. The table below provides the non-GAAP reconciliation for our noninterest income to average assets (bank only):

(Dollars in thousands)	**For the six months ended June 30,**		**For the year ended December 31,**				
	2017	**2016**	**2016**	**2015**	**2014**	**2013**	**2012**
Bank only non-interest income:							
Total non-interest income	$ 17,071	$ 18,678	$ 42,844	$ 36,121	$ 25,289	$ 23,143	$ 17,075
Less:							
Mortgage division non-interest income	15,455	18,059	41,221	34,935	23,873	22,126	14,202
Bank only non-interest income	$ 1,616	$ 619	$ 1,623	$ 1,186	$ 1,416	$ 1,017	$ 2,873
Bank only average assets:							
Total average assets	$ 737,646	$ 651,320	$ 690,300	$ 606,120	$ 540,894	$ 460,798	$ 414,397
Less:							
Mortgage division assets	25,676	62,166	71,562	57,913	38,058	32,616	23,567
Bank only average assets	$ 711,970	$ 589,154	$ 618,738	$ 548,207	$ 502,836	$ 428,182	$ 390,830
Noninterest income to average assets (bank only):							
Noninterest income to average assets (bank only)	0.46%	0.21%	0.26%	0.22%	0.28%	0.24%	0.74%

Tangible common equity to tangible assets

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

(Dollars in thousands)	As of June 30, 2017	2016	As of December 31, 2016	2015	2014	2013	2012
Tangible common equity:							
Total stockholders' equity	$ 71,138	$ 68,362	$ 69,963	$ 52,921	$ 45,041	$ 39,711	$ 37,495
Less:							
Preferred stock	12,845	12,845	12,845	12,845	12,845	12,837	12,775
Goodwill	899	-	-	-	-	-	-
Intangible assets	4,741	-	-	-	-	-	-
Tangible common equity	$ 52,653	$ 55,517	$ 57,118	$ 40,076	$ 32,196	$ 26,874	$ 24,720
Tangible assets:							
Total assets	$ 780,661	$ 727,497	$ 733,693	$ 663,344	$ 582,208	$ 500,668	$ 444,232
Less:							
Goodwill	899	-	-	-	-	-	-
Intangible assets	4,741	-	-	-	-	-	-
Tangible assets	$ 775,021	$ 727,497	$ 733,693	$ 663,344	$ 582,208	$ 500,668	$ 444,232
Tangible common equity to tangible assets:							
Tangible common equity to tangible assets	6.79%	7.63%	7.78%	6.04%	5.53%	5.37%	5.56%

Tangible equity to tangible assets

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

	As of June 30, 2017	2016	As of December 31, 2016	2015	2014	2013	2012
Tangible equity:							
Tangible equity	$ 65,498	$ 68,362	$ 69,963	$ 52,921	$ 45,041	$ 39,711	$ 37,495
Tangible assets:							
Total assets	$ 780,661	$ 727,497	$ 733,693	$ 663,344	$ 582,208	$ 500,668	$ 444,232
Less:							
Goodwill	899	-	-	-	-	-	-
Intangible assets	4,741	-	-	-	-	-	-
Tangible assets	$ 775,021	$ 727,497	$ 733,693	$ 663,344	$ 582,208	$ 500,668	$ 444,232
Tangible equity to tangible assets:							
Tangible equity to tangible assets	8.45%	9.40%	9.54%	7.98%	7.74%	7.93%	8.44%

RECENT DEVELOPMENTS

The following tables set forth selected consolidated financial and other data of Meridian Bank for the periods and dates indicated. The information at December 31, 2016 is derived in part from the audited consolidated financial statements beginning on page F-2. The information at September 30, 2017 and for the three months ended September 30, 2017 and 2016 is unaudited and reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended September 30, 2017 are not necessarily indicative of the results to be expected for all of 2017 or for any future period.

(Dollars in thousands)	September 30, 2017	December 31, 2016
	(Unaudited)	
Selected period End Balance Sheet Data:		
Cash and cash equivalents	$ 9,527	$ 18,872
Investment securities	50,662	47,552
Loans receivable, gross (including loans held for sale)	708,684	643,864
Loans held for sale	32,350	39,573
Allowance for loans losses	(6,359)	(5,425)
Goodwill and intangible assets, net	5,564	-
Total assets	803,906	733,693
Interest-bearing deposits	516,482	431,034
Total deposits	617,682	527,136
Total liabilities	731,672	663,730
Total stockholders' equity	72,234	69,963

	As of and for the Three Months Ended September 30	
	2017	2016
	(Unaudited)	
Selected Income Statement Data:		
Interest income	$ 9,191	$ 8,126
Interest expense	1,850	1,345
Net interest income	7,341	6,781
Provision for loan losses	665	551
Net interest income after provision for loan losses	6,676	6,230
Noninterest income	10,450	13,299
Noninterest expense	15,012	16,548
Net income before income taxes	2,114	2,981
Income tax expense	716	1,042
Net income	1,398	1,939
Preferred stock dividends and net accretion	(289)	(289)
Net income available to common stockholders	1,109	1,650
Selected Performance Metrics:		
Return on average assets (ROAA)	0.70%	1.05%
Return on average stockholders' equity (ROAE)	7.77%	11.57%
Net interest spread	3.65%	3.66%
Net interest margin (NIM)	3.88%	3.82%
Efficiency ratio	84.38%	82.41%
Selected Credit Quality Ratios:		
Nonperforming assets to total assets	0.78%	0.75%

Nonperforming loans to total loans	0.87%	0.84%
Allowance for loan losses to nonperforming loans	102.83%	101.77%
Allowance for loan losses to total loans	0.90%	0.85%
Allowance for loan losses to total loans held-for-investment	0.94%	1.00%
Net charge-offs to average loans	0.07%	0.02%
Capital Ratios:		
Tier 1 Leverage capital ratio	8.68%	9.54%
Tier 1 risk-based capital ratio	9.20%	10.53%
Total risk-based capital ratio	11.93%	13.45%
Common equity tier 1 capital ratio	7.46%	8.60%

Comparison of Financial Condition at September 30, 2017 and December 31, 2016

Total Assets. Total assets increased $70.2 million, or 9.6%, to $803.9 million at September 30, 2017 from $733.7 million at December 31, 2016. This growth was concentrated in our loan portfolio which increased by $64.8 million or 10.1% along with investments in bank owned life insurance and a wealth advisory subsidiary. Investment securities increased $3.1 million or 6.5% during the period. Our overall asset growth was funded by an increase in deposits of $90.5 million or 17.2%.

Loans Held for Sale. We are actively involved in the secondary mortgage market and designate the majority of our residential first mortgage loan production as held for sale. At September 30, 2017, loans held for sale, which consists of closed residential first mortgage loans which the Bank has committed to sell to investors, totaled $32.4 million compared to $39.6 million at December 31, 2016. This decrease reflected the lower levels of originations experienced throughout the year.

Loans for Investment. Loans held for investment increased $72.0 million, or 11.9%, to $676.3 million at September 30, 2017 from $604.3 million at December 31, 2016. This growth occurred across all commercial loan categories, which increased a combined $70.0 million or 14.4% for the nine months ended September 30, 2017 as well as residential loans held for investment, which increased $3.3 million or 10.8% for the same period. These increases were modestly offset by a decrease in home equity loans of $1.2 million or 1.4%. The growth in the commercial portfolios reflects the work of our strategically expanded lending team as well as strong local market conditions.

Investment Securities. Investment securities increased $3.1 million, or 6.5%, to $50.7 million at September 30, 2017 from $47.6 million at December 31, 2016. This increase in investment securities was primarily due to purchases along with $274 thousand in fair value adjustments during the period.

Bank-owned Life Insurance. Bank-owned life insurance (BOLI) increased $6.2 million to $11.2 million at September 30, 2017 from $5.0 million at December 31, 2016 due to the purchase of an additional $6.0 million of insurance during the first quarter as well as increases in the cash surrender value of the underlying insurance policies.

Deposits. Deposits increased $90.5 million, or 17.2%, to $617.7 million at September 30, 2017 from $527.1 million at December 31, 2016. This growth was across all deposit categories. Non-maturity deposits, consisting of demand deposits, NOW accounts, money market accounts and regular savings accounts increased $51.7 million, or 15.2%. The increase in non-maturity deposits resulted from the work of our strategically expanded business development team as well as the efforts from all sales personnel in our new branch markets. Non-maturity deposits at the three new branches totaled $77.2 million at September 30, 2017, up $53.9 million from December 31, 2016. Certificates of deposit increased $38.9 million or 20.9% to $225.3 million. This increase was due to both special rate programs as well as wholesale funding.

Total Equity. Total equity increased $2.2 million, or 3.3%, to $72.2 million at September 30, 2017 from $70.0 million at December 31, 2016. This increase was attributable primarily to the net income of $2.7 million for the nine months ended September 30, 2017, along with the increase in the unrealized gain on investment securities of $274 thousand, partially offset by dividends to preferred shareholders of $867 thousand during the nine months ended September 30, 2017.

Comparison of Operating Results for the Three Months Ended September 30, 2017 and 2016

General. Net income for the three month period ended September 30, 2017 was $1.4 million compared to $1.9 million for the same period in 2016. The decrease in net income was primarily attributable to a $1.1 million decrease in mortgage division operating profit (due to lower levels of fees from mortgage sales and an increase in the provision for loan losses of $114 thousand, partially offset by a $561 thousand increase in net interest income, a $792 thousand increase in wealth management revenue, a $195 thousand increase in other fee income and a $326 thousand decrease in income tax expense.

Interest Income. Interest income increased $1.1 million, or 13.1%, to $9.2 million for the three months ended September 30, 2017 compared to $8.1 million for the three months ended September 30, 2016. This increase was due to the growth in the average balances of loans between periods of $40.9 million as well as the average yield on loans increasing 36 basis points to 5.10% in the three months ended September 30, 2017 from 4.74% in the three months ended September 30, 2016. The increase in yield is the result of prime rate increases as 47% of our loan portfolio reprices in three months or less.

Interest Expense. Interest expense increased $505,000, or 37.5%, to $1.8 million for the three months ended September 30, 2017, compared to $1.3 million for the three months ended September 30, 2016. This increase was due to additional interest expense for both deposits and borrowings. The increase in deposit interest of $355 thousand was predominantly due to higher rates paid on both market and time deposits of 18 basis points and 27 basis points, respectively, in addition to an average balance increase in money market accounts of $41.7 million. Certificates of deposit average balances remained relatively stable at $187 million. The increase in borrowing interest amounted to $150 thousand and was driven by higher borrowing costs which moved the yield 70 basis points to 1.47% for the three months ended September 30, 2017 from 0.77% for the three months ended September 30, 2016. The average borrowing utilization for same comparable period dropped $19.9 million as borrowed funds were replaced with lower costing branch deposits.

Net Interest Income. Net interest income increased $561 thousand, or 8.2%, to $7.3 million for the three months ended September 30, 2017 compared to $6.8 million for the three months ended September 30, 2016. This improvement resulted from the growth in average interest-earning assets of $44.7 million, in addition to a rise in the net interest margin of 5 basis points to 3.88% in the 2017 period from 3.83% in the 2016 period.

Provision for Loan Losses. Based on the application of our loan loss methodology, as described in the notes to the consolidated financial statements presented elsewhere in this offering circular, we recorded a provision for loan losses of $665 thousand for the three months ended September 30, 2017, up $114 thousand from $551 thousand for the same three month period in 2016. The increased provision for the 2017 period relates in part to the loss incurred for a single commercial loan as well as the general component of the allowance for loan losses relative to the growth in our commercial loan portfolios. The allowance to loans held for investment at September 30, 2017 was 0.94% compared to 0.90% at December 31, 2016.

Non-interest Income. Other non-interest income decreased $2.8 million, or 21.4%, to $10.5 million for the three months ended September 30, 2017 compared to $13.3 million during the same quarter of the prior year. The decrease was attributable to a $3.7 million decrease in mortgage division revenue as a result of lower levels of mortgage originations and sales caused in part by the rate environment, lower levels of housing inventory and a decrease in mortgage loan origination personnel. This decline in revenue was partially offset by an increase of $792 thousand in wealth management revenue as a result of the acquisition of HJ Wealth in the second quarter and modest increases in other fee income.

Non-interest Expense. Non-interest expenses decreased $1.5 million, or 9.3%, to $15.0 million for the three months ended September 30, 2017 from $16.5 million in the third quarter of 2016. This decrease was principally due to lower levels of salaries and employee benefits, loan fees and other expenses related to the mortgage division, which decreased a combined $2.7 million period over period, partially offset by increased salaries and employee benefits expense for the bank, as well as higher costs relative to occupancy, business development and other expenses noted above, all related to our strategic growth plan.

Liquidity and Capital Resources

At September 30, 2017, we had $90.0 million of FHLB advances outstanding. At that date we had the ability to borrow up to an additional $225.2 million from the FHLB and $26.0 million under lines of credit with a several correspondent banks.

Our most liquid assets are cash and cash equivalents. The level of these assets is dependent on our operating, financing, lending and investing activities during any given period. At September 30, 2017, cash and cash equivalents totaled $9.5 million. In addition to cash, our liquidity is augmented by our ability to sell investments as well as shared national credits in our loan portfolio. These portfolios amounted to $50.7 million and $52.6 million, respectively, at September 30, 2017.

Financing activities consist primarily of activity in deposit accounts and borrowings. We experienced a net increase in deposits of $58.2 million for the three months ended September 30, 2017, due to increases in time deposits and non-maturity deposits of $53.5 million and $4.7 million, respectively. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors, and by other factors. We experienced a net decrease in borrowings of $37.6 million for the three months ended September 30, 2017, as deposit growth in excess of loan demand was used to pay down overnight borrowings with the FHLB.

We are subject to various regulatory capital requirements, including a risk-based capital measure. At September 30, 2017, we exceeded all regulatory capital requirements and were considered “well capitalized” under regulatory guidelines.

Recent Litigation

On October 31, 2017, two former employees of the mortgage-banking division of the bank filed suit in the Philadelphia Court of Common Pleas, *Weissenberg et al. v. Meridian Bank*, against the bank seeking unpaid commissions pursuant to a breach of contract claim and liquidated damages under the Pennsylvania Wage Payment and Collection Law. The aggregate amount of such damages set forth in the complaint is approximately $325,000. The plaintiffs are also seeking reimbursement for their attorneys’ fees and costs. The bank believes it has valid counterclaims and defenses and intends to defend the matter. However, given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, success on the merits, the bank cannot estimate the reasonably possible loss or range of loss that may result from this action. Additionally, the bank’s estimate may change from time to time, and actual losses could vary.

RISK FACTORS

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

Risks Related to Our Business

Credit and Interest Rate Risks

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

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

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

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

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

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

As of June 30, 2017, our allowance for loan and lease losses as a percentage of total loans and leases held for investment was 0.96% and as a percentage of total nonperforming loans and leases was 148.1%. Additional credit losses will likely occur in the future and may occur at a rate greater than we have previously experienced. We may be required to take additional provisions for loan and lease losses in the future further to supplement the allowance for credit losses, either due to management's assessment that the allowance is inadequate or requirements by our banking regulators. In addition, bank regulatory agencies will periodically review our allowance for loan and lease losses, the policies and procedures we use to determine the level of the allowance and the value attributed to nonperforming loans or to real estate acquired through foreclosure. Such regulatory agencies may require us to make further provisions or recognize future charge-offs. Further, if charge-offs in future periods exceed the allowance for loan and lease losses, we may need additional adjustments to increase the allowance for loan and lease losses.

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

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

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

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

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

Our mortgage lending business may not provide us with significant noninterest income.

In 2016, we originated $892 million and sold $902 million of residential mortgage loans to investors, as compared to $837 million originated and $790 million sold to investors in 2015. We originated $326 million and sold $323 million of residential mortgage loans to investors during the six months ended June 30, 2017, as compared to $405 million originated and $368 million sold to investors during the six months ended June 30, 2016. The residential mortgage

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

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

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

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

We expect to begin selling mortgage loans to GSEs, with servicing retained, in the fourth quarter of 2017. When we do so, we will be dependent on a third-party service provider to provide our mortgage loan servicing business with certain primary and special servicing services that are essential to this business. Primary servicing includes the collection of regular payments, processing of tax and insurance, processing of payoffs, handling borrower inquiries and reporting to the borrower. Special servicing is focused on borrowers who are delinquent or on loans which are more complex or in need of more hands-on attention. In the event that our current third-party service provider, or any other third-party service provider that we may use in the future, fails to perform its servicing duties or performs those duties inadequately, we could experience a temporary interruption in collecting principal and interest, sustain credit losses on our loans or incur additional costs to obtain a replacement servicer and there can be no assurance that a replacement servicer could be retained in a timely manner or at similar rates. Furthermore, our servicing rights could be terminated or we may be required to repurchase mortgage loans or reimburse investors due to such failures of our third party service providers.

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

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

enforces its remedies against us, we may not be able to recover losses from the originating broker or correspondent. If repurchase and indemnity demands increase and such demands are valid claims and are in excess of our provision for potential losses, our liquidity, results of operations and financial condition may be adversely affected.

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

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

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

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

Interest rates are volatile and highly sensitive to many factors that are beyond our control, such as economic conditions and policies of various governmental and regulatory agencies, and, in particular U.S. monetary policy. For example, we face uncertainty regarding the interest rate risk, and resulting effect on our portfolio, that could result if the Federal Reserve reduces the amount of securities it holds on its balance sheet. In recent years, it has been the policy of the Federal Reserve to maintain interest rates at historically low levels through a targeted federal funds rate and the purchase of U.S. Treasury and mortgage-backed securities. As a result, yields on securities we have purchased, and market rates on the loans we have originated, have been at levels lower than were available prior to the recession of 2008 to 2009, despite the Federal Reserve's announcement on September 20, 2017 of its intention to begin unwinding its stimulus program in October 2017 and leaving interest rates unchanged after having increased interest rates previously in 2017. Consequently, the average yield on banks' interest-earning assets has generally decreased during the current low interest rate environment. If a low interest rate environment persists, we may be unable to increase our net interest income.

As of June 30, 2017, we had $98.0 million of non-interest bearing transaction accounts and $289.7 million of interest-bearing transaction accounts. Current interest rates for interest-bearing accounts are very low due to current market conditions. However, we do not know what market rates will eventually be, especially as the Federal Reserve unwinds its stimulus program and continues to increase interest rates. If we need to offer higher interest rates on checking accounts to maintain current clients or attract new clients, our interest expense will increase, perhaps materially. Furthermore, if we fail to offer interest in a sufficient amount to keep these demand deposits, our core deposits may be reduced, which would require us to obtain funding in other ways or risk slowing our future asset growth.

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

In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and, as real estate values may change significantly in relatively short periods of time (especially in periods of heightened economic uncertainty), this estimate may not accurately describe the fair value of the real property collateral after the loan is made. As a result, we may not be able to realize the full amount of any remaining indebtedness when we foreclose on and sell the relevant property. In addition, we rely on appraisals and other valuation techniques to establish the value of our OREO and personal property that we acquire through foreclosure proceedings and to determine certain loan impairments. If any of these valuations are inaccurate, our consolidated financial statements may not reflect the correct value of our OREO, and our allowance for loan and lease losses may not reflect accurate loan impairments. This could have a material adverse effect on our business, financial condition or results of operations.

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

We have pursued a focused program to participate in select syndicated loans (loans made by a group of lenders, including us, who share or participate in a specific loan) with a larger regional or global financial institution as the lead lender. Syndicated loans are typically made to large businesses (which are referred to as shared national credits) or middle market companies (which do not meet the regulatory definition of shared national credits), both of which are secured by business assets or equipment, and commercial real estate located often outside of our market area. The syndicate group for both types of loans usually consists of several other financial institutions. Our commitment typically ranges between $1 million to $4 million. At June 30, 2017, SNCs totaled $40.7 million, or 6.3% of our total loan portfolio. Syndicated loans may have a higher risk of loss than other loans we originate because we rely on the lead lender to monitor the performance of the loan. Moreover, our decision regarding the classification of a syndicated loan and loan loss provisions associated with a syndicated loan are made in part based upon information provided by the lead lender. A lead lender also may not monitor a syndicated loan in the same manner as we would for other loans that we originate. If our underwriting of these syndicated loans is not sufficient, our non-performing loans may increase and our earnings may decrease.

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

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

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

As of June 30, 2017, we owned $51.0 million of investment securities, which consisted primarily of our positions in U.S. government and GSEs and federal agency obligations, mortgage and asset-backed securities and municipal securities. We evaluate our investment securities on at least a quarterly basis, and more frequently when economic and market conditions warrant such an evaluation, to determine whether any decline in fair value below amortized cost is the result of an other-than-temporary impairment. The process for determining whether impairment is other-than-temporary usually requires complex, subjective judgments about the future financial performance of the issuer in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers, we may be required to recognize

other-than-temporary impairment in future periods, which could adversely affect our business, results of operations or financial condition.

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

Concentrated exposures to individual obligors may unfavorably impact our operations.

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

Funding Risks

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

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

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

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

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

The holding company will be a legal entity separate and distinct from Meridian Bank, which will become our wholly-owned banking subsidiary. A substantial portion of our cash flow from operating activities, including cash flow to pay dividends on our preferred stock and principal and interest on any debt we may incur, will come from dividends from Meridian Bank. Various federal and state laws and regulations limit the amount of dividends that the bank may pay to our shareholders and, after the formation of the holding company, to Meridian Corporation. For example, Pennsylvania law only permits Meridian Bank to pay dividends out of its net profits then on hand, after first deducting the bank's losses and any debts owed to Meridian Bank on which interest is past due and unpaid for a period

of six months or more, unless the same are well secured and in the process of collection. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization will be subject to the prior claims of the subsidiary's creditors.

Loss of deposits could increase our funding costs.

As do many banking companies, we rely on customer deposits to meet a considerable portion of our funding needs, and we continue to seek customer deposits to maintain this funding base. We accept deposits directly from consumer and commercial customers and, as of June 30, 2017, we had $559.5 million in deposits. These deposits are subject to potentially dramatic fluctuations in availability or the price we must pay (in the form of interest) to obtain them due to certain factors outside our control, such as a loss of confidence by customers in us or the banking sector generally, customer perceptions of our financial health and general reputation, increasing competitive pressures from other financial services firms for consumer or corporate customer deposits, changes in interest rates and returns on other investment classes, which could result in significant outflows of deposits within short periods of time or significant changes in pricing necessary to maintain current customer deposits or attract additional deposits. The loss of customer deposits for any reason could increase our funding costs.

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

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

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

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

Operational Risks

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

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

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

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

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

As a financial institution, we are susceptible to fraudulent activity, information security breaches and cybersecurity-related incidents that may be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Information security breaches and cybersecurity-related incidents may include fraudulent or unauthorized access to systems used by us or our clients, denial or degradation of service attacks, and malware or other cyber-attacks. In recent periods, there continues to be a rise in electronic fraudulent activity, security breaches and cyber-attacks within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts. Consistent with industry trends, we have also experienced an increase in attempted electronic fraudulent activity, security breaches and cybersecurity-related incidents in recent periods. Moreover, in recent periods, several large corporations, including financial institutions and retail companies, have suffered major data breaches, in some cases exposing not only confidential and proprietary corporate information, but also sensitive financial and other personal information of their customers and employees and subjecting them to potential fraudulent activity. For example, on September 7, 2017, Equifax, Inc. announced a cybersecurity incident involving consumer information potentially impacting 143 million U.S. consumers. Some of our clients may have been affected by these breaches, which could increase their risks of identity theft and other fraudulent activity that could involve their accounts with us.

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

Information pertaining to us and our customers is maintained, and transactions are executed, on networks and systems maintained by us and certain third party partners, such as our online banking or reporting systems. The secure maintenance and transmission of confidential information, as well as execution of transactions over these systems, are essential to protect us and our customers against fraud and security breaches and to maintain our customers' confidence. Breaches of information security also may occur, through intentional or unintentional acts by those having access to our systems or our customers' or counterparties' confidential information, including employees. In addition, increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third party technologies (including browsers and operating systems) or other developments could result in a compromise or breach of the technology, processes and controls that we use to prevent fraudulent transactions and to protect data about us, our customers and underlying transactions, as well as the technology used by our customers to access our systems. Although we have developed, and continue to invest in, systems and processes that are designed to detect and prevent security breaches and cyber-attacks and periodically test our security, our or our

third party partners' inability to anticipate, or failure to adequately mitigate, breaches of security could result in: losses to us or our customers; our loss of business and/or customers; damage to our reputation; the incurrence of additional expenses; disruption to our business; our inability to grow our online services or other businesses; additional regulatory scrutiny or penalties; or our exposure to civil litigation and possible financial liability—any of which could have a material adverse effect on our business, financial condition or results of operations.

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

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

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

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

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

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

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

Our use of third party vendors for certain information systems is subject to increasingly demanding regulatory requirements and attention by our federal bank regulators. Recent regulation requires us to enhance our due diligence, ongoing monitoring and control over our third party vendors and other ongoing third party business relationships. In

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

We continually encounter technological change.

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

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

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

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

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

Our success depends, in large part, on the skills of our management team and our ability to retain, recruit and motivate key officers and employees. There is a limited number of qualified persons with requisite knowledge of, and experience in, certain of our specialized business lines. A number of our employees have considerable tenure with Meridian Bank, which makes succession planning important to the continued operation of our business. We need to continue to attract and retain key personnel and to recruit qualified individuals who fit our culture to succeed existing key personnel to ensure the continued growth and successful operation of our business. Leadership changes may

occur from time to time, and we cannot predict whether significant retirements or resignations will occur or whether we will be able to recruit additional qualified personnel. Competition for senior executives and skilled personnel in the financial services and banking industry is intense, which means the cost of hiring, incentivizing and retaining skilled personnel may continue to increase. This could have a material adverse effect on our business, financial condition or results of operations. In addition, our ability to effectively compete for senior executives and other qualified personnel by offering competitive compensation and benefit arrangements may be restricted by applicable banking laws and regulations, including restrictions recently proposed for adoption by U.S. regulatory agencies, including the FDIC. The loss of the services of any senior executive or other key personnel, the inability to recruit and retain qualified personnel in the future or the failure to develop and implement a viable succession plan, could have a material adverse effect on our business, financial condition or results of operations.

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

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

External Risks

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

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

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

Many of the loans in our portfolio are secured by real estate. As of June 30, 2017, our real estate loans include $82.9 million of construction and development loans, $84.4 million of home equity loans, $245.9 million of CRE loans and $31.9 million of residential mortgage loans, with the majority of these real estate loans secured by properties concentrated in southeast Pennsylvania, Delaware and south New Jersey. Real property values in our market may be

different from, and in some instances worse than, real property values in other markets or in the United States as a whole, and may be affected by a variety of factors outside of our control and the control of our borrowers, including national and local economic conditions, generally. Southeast Pennsylvania, Delaware and south New Jersey has experienced volatility in real estate values over the past decade. Declines in real estate values, including prices for homes and commercial properties in southeast Pennsylvania, Delaware and south New Jersey, could result in a deterioration of the credit quality of our borrowers, an increase in the number of loan delinquencies, defaults and charge-offs, and reduced demand for our products and services, generally. Our CRE loans may have a greater risk of loss than residential mortgage loans, in part because these loans are generally larger or more complex to underwrite. In particular, real estate construction and acquisition and development loans have certain risks not present in other types of loans, including risks associated with construction cost overruns, project completion risk, general contractor credit risk and risks associated with the ultimate sale or use of the completed construction. In addition, declines in real property values in the states in which we operate could reduce the value of any collateral we realize following a default on these loans and could adversely affect our ability to continue to grow our loan and lease portfolio consistent with our underwriting standards. We may have to foreclose on real estate assets if borrowers default on their loans, in which case we are required to record the related asset to the then fair market value of the collateral, which may ultimately result in a loss. An increase in the level of nonperforming assets increases our risk profile and may affect the capital levels regulators believe are appropriate in light of the ensuing risk profile. Our failure to effectively mitigate these risks could have a material adverse effect on our business, financial condition or results of operations.

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

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

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

We operate in the highly competitive financial services industry and face significant competition for customers from financial institutions located both within and beyond our principal markets. We compete with national commercial banks, regional banks, private banks, savings banks, credit unions, non-bank financial services companies and other financial institutions operating within or near the areas we serve, many of whom target the same customers we do in southeast Pennsylvania, Delaware and south New Jersey. As customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for banks to expand their geographic reach by providing services over the Internet and for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. The banking industry is experiencing rapid changes in technology, and, as a result, our future success will depend in part on our ability to address our customers' needs by using technology. Customer loyalty can be influenced by a competitor's new products, especially offerings that could provide cost savings or a higher return to the customer. Increased lending activity of competing banks following the recession of 2008 to 2009 has also led to increased competitive pressures on loan rates and terms for high-quality credits. We may not be able to compete successfully with other financial institutions in our markets, particularly with larger financial institutions operating in our markets that have significantly greater resources than us, and we may have to pay higher interest rates to attract deposits, accept lower yields to attract loans and pay higher wages for new employees, resulting in lower net interest margins and reduced profitability. Many of our non-bank competitors are not subject to the same extensive regulations that govern our activities and may have greater flexibility in competing for business. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. In addition, some of our current commercial banking customers may seek alternative banking sources as they develop needs for credit facilities larger than we may be able to accommodate or more expansive product mixes offered by larger institutions. We also face increased competition in our U.S. government guaranteed lending business which can adversely affect our volume and the premium, if any, recognized on sales of the guaranteed portions of such U.S. government guaranteed loans. Our inability to compete successfully in the markets in which we operate could have a material adverse effect on our business, financial condition or results of operations.

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

We rely, in part, on the reputation of the bank to attract customers and retain our customer relationships. Damage to our reputation could undermine the confidence of our current and potential customers in our ability to provide high-quality financial services. Such damage could also impair the confidence of our counterparties and vendors and ultimately affect our ability to effect transactions. Maintenance of our reputation depends not only on our success in maintaining our service-focused culture and controlling and mitigating the various risks described in this offering circular, but also on our success in identifying and appropriately addressing issues that may arise in areas such as potential conflicts of interest, anti-money laundering, customer personal information and privacy issues, customer and other third party fraud, record-keeping, regulatory investigations and any litigation that may arise from the failure or perceived failure of us to comply with legal and regulatory requirements. Maintaining our reputation also depends on our ability to successfully prevent third parties from infringing on the “Meridian Bank” brand and associated trademarks and our other intellectual property. Defense of our reputation, trademarks and other intellectual property, including through litigation, could result in costs that could have a material adverse effect on our business, financial condition or results of operations.

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

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

Legal, Accounting and Compliance Risks

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

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

Certain accounting policies are critical to presenting our financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting policies include the allowance for loan and lease losses and fair value measurements. See Note 1 of Meridian’s Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015 for further information. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for loan losses or sustain loan losses that are significantly higher than the reserve provided; or reduce the carrying value of an asset measured at fair value. Any of these could have a material adverse effect on our business, financial condition or results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

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

regulatory scrutiny. Any of these could have a material adverse effect on our business, financial condition or results of operations.

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

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

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

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

Since the recession ended in 2009, federal and state banking laws and regulations, as well as interpretations and implementations of these laws and regulations, have undergone substantial review and change. In particular, the Dodd-Frank Act drastically revised the laws and regulations under which we operate. As an institution with less than $10 billion in assets, certain elements of the Dodd-Frank Act have not been applied to us. While we endeavor to maintain safe banking practices and controls beyond the regulatory requirements applicable to us, our internal controls may not match those of larger banking institutions that are subject to increased regulatory oversight.

Financial institutions generally have also been subjected to increased scrutiny from regulatory authorities. For example, according to Navigant Consulting, Inc., for the five quarters ended June 30, 2017, $22.5 billion in monetary fines, penalties, or borrower restitutions have been ordered by federal, state, and local regulators for improper mortgage lending practices, with $937 million imposed in the quarter ended June 30, 2017. These changes and increased scrutiny have resulted and may continue to result in increased costs of doing business and may in the future result in decreased revenues and net income, reduce our ability to compete effectively to attract and retain customers, or make it less attractive for us to continue providing certain products and services. Any future changes in federal and state laws and regulations, as well as the interpretation and implementation of such laws and regulations, could affect us in substantial and unpredictable ways, including those listed above or other ways that could have a material adverse effect on our business, financial condition or results of operations. Recent political developments, including the change in administration in the United States, have increased additional uncertainty to the implementation, scope and timing of regulatory reforms.

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

The current presidential administration has indicated that it would like to see changes made to certain financial reform regulations, including the Dodd-Frank Act, which has resulted in increased regulatory uncertainty, and we are assessing the potential impact on financial and economic markets and on our business. Changes in federal policy and at regulatory agencies are expected to occur over time through policy and personnel changes, which could lead to changes involving the level of oversight and focus on the financial services industry. The nature, timing and economic and political effects of potential changes to the current legal and regulatory framework affecting financial institutions remain highly uncertain. At this time, it is unclear what laws, regulations and policies may change and whether future changes or uncertainty surrounding future changes will adversely affect our operating environment and therefore our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business is subject to increased litigation and regulatory risks as a result of a number of factors, including the highly regulated nature of the financial services industry and the focus of state and federal prosecutors on banks and the financial services industry generally. This focus has only intensified since the recession ended in 2009, with regulators and prosecutors focusing on a variety of financial institution practices and requirements, including foreclosure practices, compliance with applicable consumer protection laws, classification of "held for sale" assets and compliance with anti-money laundering statutes, the Bank Secrecy Act and sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC").

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Acquisition Activity

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

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

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

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

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

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

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

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

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

Risks Related to Our Common Stock

No prior public market exists for our common stock, and one may not develop.

Before this offering, there has not been a public trading market for our common stock, and an active trading market may not develop or be sustained after this offering. If an active trading market does not develop, you may have difficulty selling your shares of common stock at an attractive price—or at all. The initial public offering price for our common stock sold in this offering will be determined by us and the underwriters. This price may not be indicative of the price at which our common stock will trade after this offering. The market price of our common stock may decline below the initial offering price, and you may not be able to sell your common stock at or above the price you paid in this offering—or at all.

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

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

- actual or anticipated variations in our quarterly results of operations;
- recommendations or research reports about us or the financial services industry in general published by securities analysts;

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

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

We are subject to the rules and regulations promulgated under the U.S. Treasury's TARP program, which, among other things, may directly affect control of Meridian Bank and board representation.

We have issued 6,200 shares of our Series 2009A preferred stock, 310 shares of our Series 2009B preferred stock and 6,355 shares of our Series 2009C preferred stock as part of the U.S. Treasury's TARP program. Shares of our Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock are senior to our shares of common stock, and their holders have certain rights and preferences that are senior to holders of our common stock. Shares of these preferred stock are entitled to a liquidation preference over shares of our common stock in the event of our liquidation, dissolution or winding up. We are required to pay quarterly dividends on this preferred stock, and the terms of the preferred stock provide that if we fail to make six of these dividend payments, the holder of the preferred stock may appoint two directors to our Board. To date, we have not failed to make any dividend payments. While we intend to use a portion of the net proceeds to redeem these shares, there can be no assurance approval of such redemption by our bank regulators will be received or, if received, will be timely.

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

For as long as we remain an "emerging growth company", as defined in the JOBS Act, we will have the option to take advantage of certain exemptions from various reporting and other requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), being permitted to have an extended transition period for adopting any new or revised accounting standards that may be issued by the Financial Accounting Standards Board or the SEC reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We have elected to, and expect to continue to, take advantage of certain of these and other exemptions until we are no longer an emerging growth company. If we do so, we will prominently disclose this decision in the first periodic report following our decision, and such decision is irrevocable. Further, the JOBS Act allows us to present only two years of audited financial statements and only two years of related management's discussion and analysis of financial condition and results of operations. However, we have elected to provide five years of selected financial data in this offering circular.

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

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

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

Fulfilling our public company financial reporting and other regulatory obligations and transitioning to a standalone public company will be expensive and time consuming and may strain our resources.

As a public company, we will be subject to the reporting requirements of the Exchange Act and will be required to implement specific corporate governance practices and adhere to a variety of reporting requirements under Sarbanes-Oxley and the related rules and regulations of the SEC, as well as the rules of The NASDAQ Stock Market LLC (Nasdaq). The Exchange Act will require us to file annual, quarterly and current reports with respect to our business and financial condition. Sarbanes-Oxley will require, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Compliance with these requirements will place additional demands on our legal, accounting, finance and investor relations staff and on our accounting, financial and information systems and will increase our legal and accounting compliance costs as well as our compensation expense as we may be required to hire additional legal, accounting, tax, finance and investor relations staff. As a public company we may also need to enhance our investor relations and corporate communications functions and attract additional qualified board members. These additional efforts may strain our resources and divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition or results of operations. We expect to incur additional incremental ongoing and one-time expenses in connection with our transition to a public company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-interest Expense". The actual amount of the incremental expenses we will incur may be higher, perhaps significantly, from our current estimates.

In accordance with Section 404 of Sarbanes-Oxley, our management will be required to conduct an annual assessment of the effectiveness of our internal control over financial reporting and include a report on these internal controls in the annual reports we will file with the FDIC on Form 10-K and, upon completion of the holding company formation, the SEC. Our independent registered public accounting firm will not be required to attest formally to the effectiveness of

our internal controls until the later of the year following the first annual report required to be filed with the FDIC, or the SEC, if applicable, and the date on which we are no longer an "emerging growth company". When required, this process will require additional documentation of policies, procedures and systems, further review of that documentation by our third party internal auditing staff and internal accounting staff and our outside independent registered public accounting firm, and additional testing of our internal control over financial reporting by our third party internal auditing staff and internal accounting staff and our outside independent registered public accounting firm. This process will involve considerable time and attention, may strain our internal resources, and will increase our operating costs. We may experience higher than anticipated operating expenses and outside auditor fees during the implementation of these changes and thereafter. If our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by Nasdaq, the FDIC or other regulatory authorities, which could require additional financial and management resources.

If we are not able to implement the requirements of Section 404 of Sarbanes-Oxley in a timely and capable manner, we may be subject to adverse regulatory consequences and there could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. This could have a material adverse effect on our business, financial condition or results of operations.

The financial reporting resources we have put in place may not be sufficient to ensure the accuracy of the additional information we are required to disclose as a publicly listed company.

As a result of becoming a publicly listed company, we will be subject to the heightened financial reporting standards under GAAP and SEC and FDIC rules, including more extensive levels of disclosure. Complying with these standards requires enhancements to the design and operation of our internal control over financial reporting as well as additional financial reporting and accounting staff with appropriate training and experience in GAAP and SEC rules and regulations.

If we are unable to meet the demands that will be placed upon us as a public company, including the requirements of Sarbanes-Oxley or, when our assets are in excess of $1 billion, the FDIC, we may be unable to report our financial results accurately, or report them within the timeframes required by law or stock exchange regulations. Failure to comply with Sarbanes-Oxley or FDIC internal control regulations, each when and as applicable, could also potentially subject us to sanctions or investigations by the FDIC or other regulatory authorities. If material weaknesses or other deficiencies occur, our ability to report our financial results accurately and timely could be impaired, which could result in late filings of our annual and quarterly reports under the Exchange Act, restatements of our consolidated financial statements, a decline in our stock price, suspension or delisting of our common stock from Nasdaq, and could have a material adverse effect on our business, results of operations or financial condition. Even if we are able to report our financial statements accurately and in a timely manner, any failure in our efforts to implement the improvements or disclosure of material weaknesses in our future filings with the FDIC could cause our reputation to be harmed and our stock price to decline significantly.

We have not performed an evaluation of our internal control over financial reporting, as contemplated by Section 404 of Sarbanes-Oxley or the FDIC internal control regulations when our assets are in excess of $1 billion, nor have we engaged our independent registered public accounting firm to perform an audit of our internal control over financial reporting as of any balance sheet date reported in our financial statements. Had we performed such an evaluation or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, material weaknesses may have been identified. In addition, the JOBS Act provides that, so long as we qualify as an "emerging growth company", we will be exempt from the provisions of Section 404(b) of Sarbanes-Oxley, which would require that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting. We may take advantage of this exemption so long as we qualify as an "emerging growth company".

Investors in this offering will experience immediate and substantial dilution.

The initial public offering price is substantially higher than the net tangible book value per share of our common stock is expected to be immediately following this offering. Therefore, if you purchase shares in the offering, you will

experience immediate and substantial dilution in net tangible book value per share in relation to the price that you paid for your shares. We expect the dilution as a result of the offering to be $2.19 per share, based on our pro forma net tangible book value of $14.81 per share as of June 30, 2017. Accordingly, if we were liquidated at our pro forma net tangible book value, you would not receive the full amount of your investment.

Future sales of our common stock in the public market, including by our current shareholders, could lower our stock price, and any increase in shares issued as part of our equity-based compensation plans or for other purposes may dilute your ownership in us.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock available for sale after completion of this offering or from the perception that such sales could occur. These sales, or the possibility that these sales may occur, also may make it more difficult for us to raise additional capital by selling equity securities in the future, at a time and price that we deem appropriate. Upon completion of this offering, we will have a total of 6,039,346 outstanding shares of common stock, assuming the underwriters do not exercise their option to purchase additional shares. Of the outstanding shares, the 2,352,941 shares sold in this offering (or 2,705,882 shares if the underwriters exercise their option to purchase additional shares in full) will be freely tradable without restriction or further registration under the Securities Act, except that any shares purchased or held by our affiliates, as that term is defined under Rule 144 of the Securities Act, will be restricted as to their sale for a period of 180 day after the date of this offering circular. See “Underwriting—Lock-up Agreements” for further information.

We have agreed with the underwriters not to offer, pledge, sell or otherwise dispose of or hedge any shares of our common stock, subject to certain exceptions, for the 180-day period following the date of this offering circular, without the prior consent of Sandler O’Neill + Partners, L.P. on behalf of the underwriters. Holders of a significant majority of our common stock and all of our officers and directors have entered into similar lock-up agreements with the underwriters, subject to de minimis exceptions. The underwriters may, at any time, release us or any of our officers or directors from this lock-up agreement and allow us to sell shares of our common stock within this 180-day period. In addition, any shares purchased through the reserved share program described in this offering circular are subject to the same 180-day lockup period.

Upon the expiration of the lock-up agreements described above, all of such shares will be eligible for resale in a public market, subject, in the case of shares held by our affiliates, to volume, manner of sale and other limitations under Rule 144 of the Securities Act.

We cannot predict the size of future issuances or sales of our common stock or the effect, if any, that future issuances or sales of shares of our common stock may have on the market price of our common stock. Sales or distributions of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our common stock to decline.

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

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

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

We have broad discretion in the use of the net proceeds from this offering, and our use of those proceeds may not yield a favorable return on your investment.

We intend to use the net proceeds generated by this offering to support our organic growth and for other general corporate purposes that may include, but are not limited to the repayment or refinancing of outstanding debt, working capital and other general purposes. Our management has broad discretion over how these proceeds are to be used and could spend the proceeds in ways with which you may not agree. In addition, we may not use the proceeds of this offering effectively or in a manner that increases our market value or enhances our profitability. We have not established a timetable for the effective deployment of the proceeds, and we cannot predict how long it will take to deploy the proceeds. Investing the offering proceeds in securities until we are able to deploy the proceeds will provide lower margins than we generally earn on loans, potentially adversely affecting shareholder returns, including earnings per share, return on assets and return on equity.

An investment in our common stock is not an insured deposit and is subject to risk of loss.

Your investment in our common stock will not be a bank deposit and will not be insured or guaranteed by the FDIC or any other government agency. Your investment will be subject to investment risk, and you must be capable of affording the loss of your entire investment.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may", "might", "should", "could", "predict", "potential", "believe", "expect", "continue", "will", "anticipate", "seek", "estimate", "intend", "plan", "projection", "would", "annualized" and "outlook", or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

A number of important factors could cause our actual results to differ materially from those indicated in these forward-looking statements, including those factors identified in "Risk Factors" or "Management's Discussion and Analysis of Financial Condition and Results of Operations" or the following:

- the geographic concentration of our operations in southeast Pennsylvania, Delaware and south New Jersey;
- current and future business, economic and market conditions in the United States generally or in Pennsylvania in particular;
- the effects of the current low interest rate environment or changes in interest rates on our net interest income, net interest margin, our investments, and our loan originations, loan servicing rights and loans held for sale and our modeling estimates relating to interest rate changes;
- the effects of geopolitical instability, including war, terrorist attacks, and man-made and natural disasters;
- our ability to maintain our reputation;
- our asset quality and any loan charge offs;
- our ability to attract and retain customer deposits;
- our ability to achieve organic loan and deposit growth and the composition of such growth;
- the composition of our loan portfolio;
- time and effort necessary to resolve nonperforming assets;
- our ability to attract and retain skilled employees or changes in our management personnel;
- our ability to effectively compete with other financial services companies and the effects of competition in the financial services industry on our business;
- our ability to successfully develop and commercialize new or enhanced products and services;
- changes in the demand for our products and services;

- the effectiveness of our risk management and internal disclosure controls and procedures;
- any failure or interruption of our information and communications systems;
- our ability to identify and address cybersecurity risks;
- our ability to keep pace with technological changes;
- the effects of problems encountered by other financial institutions;
- our access to sources of liquidity and capital to address our liquidity needs;
- fluctuations in the values of our assets and liabilities and off balance sheet exposures;
- the effects of the failure of any component of our business infrastructure provided by a third party;
- the impact of, and changes in applicable laws, regulations and accounting standards and policies;
- possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations;
- our likelihood of success in, and the impact of, legal, regulatory or other actions, investigations or proceedings relating to our business;
- environmental liability associated with our lending activities;
- market perceptions associated with certain aspects of our business;
- possible impairment of our goodwill and other intangible assets, or any adjustment of the valuation of our deferred tax assets;
- changes in the scope and cost of FDIC deposit insurance premiums;
- the one time and incremental costs of operating as a standalone public company;
- our ability to meet our obligations as a public company, including our obligations under Section 404 of Sarbanes Oxley; and
- damage to our reputation from any of the factors described above, in “Risk Factors” or in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

The foregoing factors should not be considered an exhaustive list and should be read together with the other cautionary statements included in this offering circular. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of our common stock in this offering will be approximately $36.8 million, or approximately $42.4 million if the underwriters elect to exercise in full their option to purchase additional shares from us, after deducting underwriting discounts and commissions and estimated offering expenses, based on the initial public offering price of $17.00 per share. We intend to use the net proceeds from this offering to repurchase all outstanding shares of our Series 2009A Preferred Stock, Series 2009B Preferred Stock, and Series 2009C Preferred Stock for approximately $12.8 million and for general corporate purposes.

DIVIDEND POLICY AND DIVIDENDS

We do not intend to pay cash dividends on our common stock in the near-term. Instead, we anticipate that all of our future earnings will be retained to support our operations and to finance the growth and development of our business. Any future determination relating to our dividend policy will be made by our board of directors and will depend on a number of factors, including: (1) our historic and projected financial condition, liquidity and results of operations, (2) our capital levels and needs, (3) tax considerations, (4) any acquisitions or potential acquisitions that we may examine, (5) statutory and regulatory prohibitions and other limitations, (6) the terms of any credit agreements or other borrowing arrangements that restrict our ability to pay cash dividends, (7) general economic conditions and (8) other factors deemed relevant by our board of directors. We are not obligated to pay dividends on our common stock and are subject to restrictions on paying dividends on our common stock.

As a Pennsylvania banking institution, we are subject to certain restrictions on dividends under the Pennsylvania Banking Code of 1965 (the "Pennsylvania Banking Code"). Generally, a Pennsylvania banking institution may only pay dividends either out of "surplus" or out of the current or the immediately preceding year's net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a Pennsylvania banking institution's assets can be measured in a number of ways and may not necessarily equal their book value.

In addition, we are subject to certain restrictions on the payment of cash dividends as a result of banking laws, regulations and policies, including after the formation of the holding company. See "Supervision and Regulation—Dividends".

HOLDING COMPANY FORMATION

In May 2017, shareholders of Meridian Bank approved and adopted the Plan of Merger and Reorganization among Meridian Bank, Meridian Interim Bank and Meridian Corporation, whereby, among other things, Meridian Bank will merge with and into Meridian Interim Bank and become a wholly owned subsidiary of Meridian Corporation, with shareholders of Meridian Bank receiving one share of Meridian Corporation common stock, par value $1.00 per share, in exchange for each share of common stock of Meridian Bank then owned. As a result, at such time, you will receive shares of the holding company in exchange for your shares of the bank. The transaction will be conducted according to a Plan of Merger and Reorganization attached as **Exhibit A** to this offering circular, which we call the Plan of Merger in this offering circular.

We have submitted applications to each of the Federal Reserve and the PDBS for approval of this holding company formation transaction. As of the date hereof, our applications to the Federal Reserve and PDBS have been approved. The holding company formation transaction cannot be consummated before November 9, 2017, the fifteenth calendar day following our receipt of Federal Reserve approval on October 25, 2017, nor can it be consummated later than January 25, 2018, three months following our receipt of the approval, unless such period is extended by the Federal Reserve. We anticipate completing this transaction after completion of this offering. Our board of directors has the right to withdraw or postpone the transaction for any reason even though we have received all of these approvals.

The transaction will involve several steps:

(1) We have formed a new Pennsylvania business corporation named Meridian Corporation (also called the holding company) as a direct, wholly-owned subsidiary of the bank.

(2) We have applied to the applicable banking regulators for permission to form a new Pennsylvania commercial bank subsidiary of the holding company, to be named Meridian Interim Bank (also called merger sub).

(3) We and the merger sub have applied to the applicable banking regulators for permission for the bank to merge into merger sub according to the Plan of Merger attached to this offering circular as **Exhibit A**. As a result of that merger, the holding company will automatically become the holding company for and the sole shareholder of the resulting bank.

(4) After we receive all necessary regulatory approvals, we will complete the transaction according to the Plan of Merger, as follows:

- The bank will merge with merger sub, with the merger sub surviving.
- The merger sub will immediately change its name to “Meridian Bank”.
- Holders of our common stock will receive one share of the holding company common stock in exchange for each share of the bank’s common stock that they hold, and, as a result, our shareholders will become the shareholders of the holding company.
- Upon this exchange of shares, the holding company will become the sole shareholder and holding company for the bank.
- The holding company will assume our obligations under our Meridian Bank 2016 Stock Option Plan and all outstanding options we have granted under our equity incentive plans for the purchase of Bank shares. As a result, these awards will automatically become options to purchase the same number of the holding company shares.

We currently believe that the transaction should have no material impact on how we conduct our day-to-day operations. Forming a holding company may allow us to conduct some activities the bank could not conduct on its own, or it may allow us to make some acquisitions the bank could not otherwise make.

The transaction will not dilute your economic interest in the bank. Immediately after the transaction, the number of outstanding shares of common stock of the holding company will be the same as the number of outstanding shares of common stock of the bank immediately before consummation of the transaction.

Your rights under the Pennsylvania Business Corporation Law as a holder of shares of common stock of the holding company will differ from your current rights under Pennsylvania Banking Code. We summarize the material changes in your rights as a shareholder resulting from the transaction under "Comparison of Rights of Shareholders."

CAPITALIZATION

The following table shows our capitalization, including regulatory capital ratios, on a consolidated basis, as of June 30, 2017, on an as adjusted basis after giving effect to:

- the net proceeds from the sale by us of our common stock in this offering (assuming the underwriters do not exercise their option to purchase additional shares from us), after deducting underwriting discounts and commissions and estimated offering expenses, at the initial public offering price of $17.00 per share; and

- the repurchase of all of our outstanding Series 2009A Preferred Stock, Series 2009B Preferred Stock, and Series 2009C Preferred Stock at an aggregate purchase price of $12.8 million.

You should read the following table in conjunction with the sections titled “Use of Proceeds”, “Summary Historical Consolidated Financial and Operating Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes appearing elsewhere in this offering circular.

	At June 30, 2017	As Adjusted
	(dollars in thousands)	
Cash and cash equivalents	$ 10,349	$ 10,349
Debt:		
Short-Term Borrowings		
Short-term borrowings	116,842	92,910
Long-Term Borrowings		
Long-term debt	12,975	12,975
Subordinated debentures	13,376	13,376
Total long-term borrowings	26,351	26,351
Stockholders’ Equity		
Preferred stock, liquidation preference $1,000 per share (5,000,000 shares authorized, 12,845 shares of preferred stock issued and outstanding)	12,845	—
Common stock, par value $1.00 per share (10,000,000 shares authorized, 3,686,405 and 6,039,346 shares outstanding on an actual and adjusted basis, respectively)	3,686	6,039
Surplus	39,986	74,411
Retained earnings	14,622	14,622
Accumulated other comprehensive loss, net of tax	(1)	(1)
Total stockholders’ equity	71,138	95,071
Capital Ratios		
Common equity Tier 1 capital ratio	7.57%	12.77%
Tier 1 risk-based capital ratio	9.39%	12.77%
Total risk-based capital ratio	12.21%	15.59%
Tier 1 leverage ratio	8.85%	12.04%

DILUTION

If you invest in our common stock, your ownership interest will be diluted to the extent that the initial public offering price per share of our common stock exceeds the tangible book value per share of our common stock immediately following this offering. Tangible book value per common share is equal to our total stockholders' equity, less goodwill and intangible assets and the value attributable to our outstanding preferred stock, divided by the number of common shares outstanding. The tangible book value of our common stock as of June 30, 2017 was $52.7 million, or $14.28 per share.

After giving further effect to our sale of 2,352,941 shares of common stock in this offering (assuming the underwriters do not exercise their option to purchase additional shares from us), and after deducting underwriting discounts and commissions and estimated offering expenses, at the initial public offering price of $17.00 per share, the pro forma tangible book value of our common stock at June 30, 2017 would have been approximately $89.4 million, or $14.81 per share. Therefore, using these assumptions, this offering will result in an immediate increase of $0.53 in the tangible book value per share of our common stock of existing shareholders and an immediate dilution of $2.19 in the tangible book value per share of our common stock to investors purchasing shares in this offering, or approximately 13% of the initial public offering price of $17.00 per share.

If the underwriters' option to purchase additional shares from us is exercised in full, the pro forma as adjusted amount of each of cash and cash equivalents, additional paid-in capital, stockholders' equity and total capitalization would increase by approximately $5.6 million, after deducting underwriting discounts and commissions and estimated offering expenses, at the initial public offering price of $17.00 per share.

The following table illustrates the calculation of the amount of dilution per share that a purchaser of our common stock in this offering will incur given the assumptions above:

Initial public offering price per share		$ 17.00
Tangible book value per common share at June 30, 2017	$ 14.28	
Increase in net tangible book value per common share attributable to new investors	$ 0.53	
Pro forma tangible book value per common share upon completion of the offering		$ 14.81
Dilution per common share to new investors from offering		$ 2.19

The following table summarizes, as of June 30, 2017, the number of shares of common stock, the total consideration paid to us and the average price paid per share by existing shareholders and investors purchasing common stock in this offering, and the sale of the common stock offered hereby, at the initial public offering price of $17.00 per share (assuming the underwriters do not exercise their option to purchase additional shares from us) before deducting underwriting discounts and estimated offering expenses.

	Shares Purchased		Total Consideration (Dollars in thousands)		Average Price Per Share
	Number	**Percent**	**Amount**	**Percent**	
Existing shareholders as of June 30, 2017	3,686,405	61.04%	$43,672	52.19%	$11.85
New investors for this offering	2,352,941	38.96%	$40,000	47.81%	$17.00
Total	6,039,346	100.0%	$83,672	100.0%	$13.86

The table above excludes shares of our common stock reserved for issuance under our equity incentive plans. To the extent that other equity awards are issued under our 2016 Stock Option Plan, investors participating in this offering will experience further dilution.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the "Summary Historical Consolidated Financial Information", and our financial statements and related notes thereto included elsewhere in this offering circular. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors". We assume no obligation to update any of these forward-looking statements.

Overview

Our business

Meridian Bank was incorporated on March 16, 2004 under the laws of the Commonwealth of Pennsylvania and is a Pennsylvania banking institution. We commenced operations on July 8, 2004 and are a full-service bank providing personal and business lending and deposit services. As a state-chartered bank, we are subject to the regulation of the PDBS and the FDIC. The area served by the bank is primarily southeastern Pennsylvania, Delaware and south New Jersey. We operate three wholly-owned subsidiaries: Meridian Land Settlement Services, LLC, which provides services as agent to real estate title insurance companies and their customers, Apex Realty, LLC, which acquires, holds and disposes of real estate acquired through foreclosure, and Meridian Wealth Partners, LLC, which provides investment advisory services.

Critical Accounting Policies and Estimates

Our accounting and reporting policies conform to GAAP and conform to general practices within the industry in which we operate. To prepare financial statements in conformity with GAAP, management makes estimates, assumptions and judgments based on available information. These estimates, assumptions and judgments affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgements are based on information available as of the date of the financial statements and, as this information changes, actual results could differ from the estimates, assumptions and judgments reflected in the financial statements. In particular, management has identified several accounting policies that, due to the estimates, assumptions and judgements inherent in those policies, are critical in understanding our financial statements.

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

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

The following is a discussion of the critical accounting policies and significant estimates that require us to make complex and subjective judgments. Additional information about these policies can be found in Note 1 of Meridian's Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015.

Provision and allowance for loan and lease losses

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

The ALLL is maintained at a level that management believes is appropriate to provide for incurred loan and lease losses as of the date of the Consolidated Statements of Financial Condition and we have established methodologies for the determination of its adequacy. The methodologies are set forth in a formal policy and take into consideration the need for an overall general allowance as well as specific allowances that are determined on an individual loan basis for impaired loans. We increase our ALLL by charging provisions for losses against our income and decreased by charge-offs, net of recoveries.

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

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

Goodwill and Intangible Assets

We account for business combinations under the acquisition method of accounting in accordance with ASC 805.

We completed an acquisitions that resulted in our recording of intangible assets. These intangible assets primarily consist of customer relationships, trade name, non-compete arrangements and goodwill. We allocate the fair value of purchase consideration to the assets acquired based on their fair values at the acquisition date. The excess of the fair value of consideration transferred over the fair value of the net assets acquired is recorded as goodwill. Goodwill is generally attributable to the value of the synergies between the combined companies, which does not qualify for recognition as an intangible asset.

Valuation of the intangible assets acquired is generally based on the estimated cash flows related to those assets, while the initial value assigned to goodwill is the residual of the purchase price over the fair value of all identifiable assets acquired and liabilities assumed. The most significant other intangible asset is the customer relationship intangible. In order to initially record the fair value of the customer relationship intangible asset, the income approach is used. Estimates are based upon the present value of the operating cash flows generated by existing customer relationships after taking into account the cost to realize the revenue, and an appropriate discount rate to reflect the time value and risk associated with the invested capital. Useful lives are determined based on the expected future period of the benefit of the asset.

Goodwill is not amortized but is periodically evaluated for impairment under the provisions of ASC Topic 350, *Intangibles—Goodwill and Other* ("ASC 350").Impairment testing is performed using either a qualitative or quantitative approach at the reporting unit level. Our goodwill is allocated to the banking unit, which is our only applicable reporting unit for the purposes of testing goodwill for impairment. We will perform the annual goodwill impairment test during the 4th quarter of each year. Additionally, we perform a goodwill impairment evaluation on an interim basis when events or circumstances indicate impairment potentially exists.

For other identifiable intangible assets, changes in the useful life or economic value of acquired assets may require a reduction in the asset value and a related charge in the statement of income. Such changes in asset value could result from a change in market demand for the products or services offered by an acquired business or by reductions in the expected profit margins that can be obtained through the future delivery of the acquired product or service line.

We consider our accounting policies on goodwill and other intangible assets to be critical because they require us to make significant judgments, particularly with respect to estimating the fair value of reporting units and the other intangible assets. The estimates utilize historical data, projected cash flows, and market and industry data specific to each reporting unit or intangible asset.

Fair value of financial instruments

ASC Topic 820, *Fair Value Measurement* ("ASC 820") defines fair value as the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date.

The degree of management judgment involved in determining the fair value of assets and liabilities is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not available, management judgment is necessary to estimate fair value. In addition, changes in market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, the Company would use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement.

See Note 17 of Meridian's Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015 for a complete discussion on our use of fair value of financial assets and liabilities and their related measurement practices.

Recently Issued Accounting Pronouncements

For a discussion of the expected impact of accounting pronouncements recently issued but not adopted by us as of December 31, 2016, see Note 20 of Meridian's Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015.

Executive Summary – Period Ended June 30, 2017

The following items highlight Meridian's results of operations for the six months ended June 30, 2017, as compared to the same period in 2016, and the changes in its financial condition as of June 30, 2017 as compared to December 31, 2016. More detailed information related to these highlights can be found in the sections that follow.

Changes in Financial Condition

- Total assets of $780.7 million as of June 30, 2017 increased $47.0 million from $733.7 million at December 31, 2016.

- Stockholders' equity of $71.1 million as of June 30, 2017 increased $1.2 million from $69.9 million as of December 31, 2016.

- Total portfolio loans and leases as of June 30, 2017 were $648.4 million, an increase of $44.1 million from the December 31, 2016 balance.

- Total non-performing loans and leases of $4.2 million represented 0.61% of portfolio loans and leases as of June 30, 2017 as compared to $5.3 million, or 0.83% of portfolio loans and leases as of December 31, 2016.

- The $6.2 million allowance for loan loss, as of June 30, 2017, represented 0.96% of portfolio loans and leases, as compared to $5.4 million, or 0.90% of portfolio loans and leases as of December 31, 2016.

- Total deposits of $560.0 million as of June 30, 2017 increased $32.4 million from $527.1 million as of December 31, 2016.

Six Month Results of Operations

- Net income for the six months ended June 30, 2017 was $1.3 million, a decrease of $977 thousand compared to net income of $2.3 million for the same period in 2016.

- Tax-equivalent net interest income increased $2.0 million, or 13.6%, to $16.7 million for the six months ended June 30, 2017, as compared to $14.7 million for the same period in 2016.

- The provision for loan losses of $780 thousand for the six months ended June 30, 2017 was an increase of $473 thousand from $307 thousand for the same period in 2016.

- Non-interest income of $17.1 million for the six months ended June 30, 2017 was a $1.6 million decrease from the same period in 2016.

- Mortgage fee revenue of $15.2 for the six months ended June 30, 2017 represented a decrease of $2.5 million from $17.7 million for the same period in 2016.

- Non-interest expense of $28.0 million for the six months ended June 30, 2017 increased $1.0 million from $27.0 million for the same period in 2016.

Results of Operations

Summary

Net income for the six month period ended June 30, 2017 was $1.3 million compared to $2.3 million for the same period in 2016. The comparability of the results of operations for the six month period ended June 30, 2017 compared to the same period in 2016, in general, have been impacted by significantly lower levels of profitability in mortgage division in 2017. As shown in the consolidating income table below, operating income before taxes from the mortgage division decreased $1.6 million due to lower levels of originations.

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Bank	**Mortgage**	**Consolidated**	**Bank**	**Mortgage**	**Consolidated**
	(dollars in thousands)					
Net interest income	$13,581	$182	$13,763	$11,788	$449	$12,237
Provision for possible loan losses	(780)		(780)	(307)		(307)
Net interest income after provision	12,801	182	12,983	11,481	449	11,930
Non-interest income						
Fees and other	533	191	724	399	-	399
Wealth management	972	-	972	157	-	157
Mortgage banking income, net of hedging costs and fair value adjustments	-	14,237	14,237	-	17,211	17,211
Mortgage fees	-	1,027	1,027	-	848	848
BOLI income	111	-	111	63	-	63
Total non-interest income	1,616	15,455	17,071	619	18,059	18,678

Non-interest expense						
Salaries and employee benefits	7,082	12,341	19,423	6,053	12,227	18,280
Loan expenses	412	1,596	2,008	127	2,996	3,123
Occupancy and equipment	1,116	710	1,826	625	755	1,380
Professional services	669	234	903	474	132	606
Other	2,792	1,091	3,883	2,467	1,169	3,636
Total non-interest expense	12,071	15,972	28,043	9,746	17,279	27,025
Income (loss) before income taxes	**2,346**	**(335)**	**2,011**	**2,354**	**1,229**	**3,583**
Income taxes (benefit)	**740**	**(75)**	**665**	**774**	**486**	**1,260**
Net income (loss)	**$ 1,606**	**$ (260)**	**$ 1,346**	**$ 1,580**	**$ 743**	**$ 2,323**

The $977 thousand decrease in net income during the six month period ended June 30, 2017 compared to the six month period ended June 30, 2016 was primarily attributable to a $1.6 million decrease in non-interest income (due to lower levels of fees from mortgage sales), an increase in the provision for loan losses of $473 thousand, and a $1.0 million increase in non-interest expense (primarily due to increased salary and employee benefits, occupancy, professional services and business development expense), partially offset by a $1.5 million increase in net interest income and $595 thousand decrease in income tax expense.

Net Interest Income

Meridian's earnings performance is primarily dependent upon its level of net interest income, which is the excess of income earned on interest-earning assets over expense incurred on interest-bearing liabilities. Interest income includes interest earned on loans, investments and federal funds sold and interest-earning cash, as well as loan fees and dividend income earned on investment securities. Interest expense reflects interest paid on deposits and borrowings, which includes FHLB advances, federal funds purchased, subordinated debentures and notes, and other borrowings.

Net interest income for the six months ended June 30, 2017 was $13.8 million, compared to $12.2 million for the same period in 2016. Interest income for the six month period ended June 30, 2017 was $16.7 million, compared to $14.7 million for the same period in 2016. The $2.0 million increase in interest income for the six months ended June 30, 2017 compared to the same period in 2016 was primarily due to a $107.9 million increase in total average loans held for investment partially offset by a decrease of $36.5 million in total average loans held for sale which contributed a combined $1.9 million increase in interest income. In addition, the overall yield on earning assets rose 8 basis points, driven by an 11 basis point increase on the yield on loans available for sale, partially offset by a decrease in the yield on loans held for investment.

Average Balances, Rates, and Interest Income and Expense on a Tax Equivalent Basis

For the Six Months Ended June 30,	2017			2016		
(dollars in thousands)	Average Outstanding Balance	Interest Earned/ Interest Paid	Yields/ rates	Average Outstanding Balance	Interest Earned/ Interest Paid	Yields/ rates
Assets						
Interest-earning assets						
Interest-bearing cash	$ 12,716	$ 38	0.60%	$ 12,952	$ 34	0.53%
Federal funds sold	780	3	0.78%	1,118	2	0.36%
Investment securities[1]	48,892	534	2.20%	43,019	460	2.15%
Loans held for sale	25,676	500	3.89%	62,166	1,177	3.79%
Loans held for investment	622,507	15,731	5.07%	514,527	13,129	5.10%
Total loans	648,183	16,231	5.02%	576,693	14,306	4.96%
Total interest-earning assets	710,571	16,806	4.74%	633,782	14,802	4.67%
Non-interest earning assets	27,075			17,538		
Total assets	$ 737,646			$ 651,320		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Interest-bearing checking deposits	73,291	169	0.46%	77,657	157	0.41%
Money market and savings deposits	208,375	857	0.83%	187,107	686	0.74%
Time deposits	171,915	846	0.99%	196,767	886	0.91%
Total deposits	453,581	1,872	0.83%	461,531	1,729	0.75%
Borrowings	97,958	604	1.24%	49,640	288	1.17%
Subordinated Debentures	13,376	481	7.25%	13,445	484	7.24%
Total interest-bearing liabilities	564,915	2,957	1.06%	524,616	2,501	0.96%
Non-interest-bearing deposits	97,673			61,326		
Other noninterest-bearing liabilities	5,846			4,868		
Total liabilities	668,434			590,810		
Total stockholders' equity	69,212			60,510		
Total liabilities and stockholders' equity	$ 737,646			$ 651,320		
Net interest income		$ 13,849			$ 12,301	
Net interest spread			3.69%			3.71%
Net interest margin			3.93%			3.90%

(1) Yields and net interest income reflected are tax-effected.

Rate/Volume Analysis	For the six months ended June 30, 2017 as compared to June 30, 2016 Change in interest due to:		
(dollars in thousands)	Rate	Volume	Total
Cash	$ 6	$ (2)	$ 4
Federal funds sold	3	(2)	1
Securities[(1)]	11	63	74
Loans held for sale	385	(1,062)	(677)
Loans held for investment	(166)	2,768	2,602
Total interest-earning assets	239	1,765	2,004
Deposits:			
Interest checking	34	(22)	12
Money market accounts	90	81	171
Time deposits	177	(217)	(40)
Total	301	(158)	143
Borrowings	20	296	316
Subordinated debentures	2	(5)	(3)
Total interest-bearing liabilities	323	133	456
Net interest income	$ (84)	$1,632	$1,548

(1) Yields and net interest income reflected are tax-effected.

Interest on loans was $16.2 million for the six month period ended June 30, 2017, compared to $14.3 million for the same period in 2016. The average balance of loans was $648.2 million with an average yield of 5.02% for the six months ended June 30, 2017, compared to $576.7 million with an average yield of 4.96% for the same period in 2016. The significant increases in average balances related to portfolio increases in commercial, commercial real estate and construction loans as the Meridian commercial lending team pursued market share through a focused mission (which included increased business development efforts and new hires) to capitalize on market dislocation. The modest increase in the overall yield was attributable to the rising rate environment, as 47.1% of the loan portfolio held for investment as of June 30, 2017 reprices in three months or less.

Interest on investment securities and cash and cash equivalents was $496 thousand for the six month period ended June 30, 2017, compared to $430 thousand for the same period in 2016. The average balance of investment securities was $48.9 million with a tax equivalent average yield of 2.20% for the six months ended June 30, 2017, compared to $43.0 million with a tax equivalent average yield of 2.15% for the same period in 2016. The average balance of cash and cash equivalents was $13.5 million with a tax equivalent average yield of 0.61% for the six month period ended June 30, 2017, compared to $14.1 million with a tax equivalent average yield of 0.51% for the same period in 2016.

Interest on deposits was $1.9 million for the six month period ended June 30, 2017, compared to $1.7 million for the same period in 2016. The average balance of deposits was $453.6 million with an average rate of 0.83% for the six months ended June 30, 2017, compared to $461.5 million with an average rate of 0.75% for the same period in 2016. The decreases in average balance of interest-bearing deposits is attributable to the increase in non-interest bearing deposits which rose $36.3 million period over period. The increase in average rate was attributable to the 75 basis

points increase in the federal funds rate, which has impacted the rates Meridian pays on the majority of its non-maturity deposit accounts.

Interest on borrowings was $1.1 million for the six month period ended June 30, 2017, compared to $771 thousand for the same period in 2016. The average balance of borrowings was $111.3 million with an average rate of 1.97% for the six months ended June 30, 2017, compared to $63.1 million with an average rate of 2.46% for the same period in 2016.

Provision for Credit Losses

To provide for known and inherent losses in the loan portfolios, Meridian maintains an allowance for loan losses. The allowance for loan losses ("ALLL" or the "allowance") is maintained, at a level considered adequate, to provide for losses that are probable as of the balance sheet date. Provisions for loan losses are charged against income to increase the allowance when necessary. Loan losses are charged directly against the allowance and recoveries on previously charged-off loans are added to the allowance. Management's evaluation of the adequacy of the allowance is based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors.

Management reviews and establishes the adequacy of the allowance for loan losses in accordance with U.S. generally accepted accounting principles. Its methodology for assessing the appropriateness of the allowance consists of several key elements which include: specific allowances for identified impaired loans; and allowances by loan type for pooled homogenous loans. In considering national and local economic trends, we review a variety of information including Federal Reserve publications, general economic statistics, foreclosure rates and housing statistics published by third parties. We believe this improves the measure of inherent loss over a complete economic cycle and reduces the impact for qualitative adjustments.

We establish a general allowance on loans which are not individually impaired. In establishing the general valuation allowance, we segregate these loans by type and category. The categories used by Meridian include "pass," "watch," "special mention," "substandard" and "doubtful." For commercial mortgage, commercial and construction loans, the determination of the category for each loan is based on periodic reviews of each loan by our lending and credit officers as well as an independent, third-party consultant. The reviews include a consideration of such factors as recent payment history, current financial data, cash flow, financial projections, collateral evaluations, guarantor or sponsorship financial strength and current economic and business conditions. Categories for residential mortgage and consumer loans are determined through a similar review. Classification of a loan within a category is based on identified weaknesses that increase the credit risk of loss on the loan. Each category carries a loss factor for the allowance percentage to be assigned to the loans within that category. The allowance percentage, is determined based on inherent losses associated with each type of lending as determined through consideration of our loss history with each type of loan, trends in credit quality and collateral values, and an evaluation of current economic and business conditions.

To account for current economic conditions representative of the current business cycle, Meridian uses an annualized loss history by portfolio extending back to the beginning of the current business cycle. For Meridian Bank, the business cycle began in the first quarter of 2010 as Meridian began to experience the effects of the 2009 economic crisis. Loan loss history is evaluated over a look-back period based on overall economic conditions and their impact on the bank. For homogeneous loan pools which Meridian does not have sufficient loss history, we use peer data to evaluate loss history using the same look-back period.

This analysis is intended to assess the potential for loss within the loan portfolio and to substantiate the adequacy of the allowance. Should the analysis indicate that the allowance is not adequate, management will record a provision expense be made in an amount equal to the shortfall derived. Management believes that the following factors create a comprehensive analysis in which management can monitor the quality of the loan portfolio. Consideration has been given to the following factors and variables which may influence the risk of loss within the loan portfolio:

- changes in the nature and volume of the portfolio and in the terms of loans;

- changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;
- the existence and effect of any concentrations of credit, and changes in the level of such concentrations;
- changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- changes in the experience, ability, and depth of lending management and other relevant staff;
- changes in loan review methodology and degree of oversight by Meridian's board of directors;
- changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;
- the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio; and
- changes in the value of underlying collateral for collateral dependent loans.

Portfolio risk includes the levels and trends in delinquencies, impaired loans, changes in loan ratings and trends in volume and nature of loans. In addition to updating appraisals as necessary and creating specific reserves on impaired loans, loss emergence periods by portfolio segment were updated in 2017, and we believe are appropriate for Meridian Bank and in-line with industry standards.

Given the volatility in real estate values, Meridian Bank closely monitors the loan to value ratios of all classified assets and requires periodic current appraisals to monitor underlying collateral values. Management also reviews borrower and guarantor's financial strength along with their ability and willingness to provide financial support of their obligations on an immediate and continuing basis.

A $780 thousand provision was made during the six month period ended June 30, 2017, compared to $307 thousand for the same period in 2016. The $780 thousand provision was the result of several factors, including $44.1 million in new loans originated during the six months ended June 30, 2017. Additionally, management refined the allowance methodology, which included lengthening the period used to determine historical loss factors and implementing a quantitative framework for certain considerations that were previously included in qualitative factors. This refinement contributed to the higher provision for the six month period ended June 30, 2017. Meridian's percentage of allowance for loan losses to total loans was 0.91% at June 30, 2017 compared to 0.84% and 0.82% at December 31, 2016 and June 30, 2016, respectively. The increase in this ratio from 0.81% at June 30, 2016 to 0.91% at June 30, 2017 was primarily due to the factors listed above. Net charge-offs were negative $9 thousand during the six months ended June 30, 2017, compared to $1.1 million, and $361 thousand during the year ended December 31, 2016, and six months ended June 30, 2016, respectively. The percentage of net charge-offs to total average loans were 0.00%, 0.17%, and 0.06% for those same respective periods. Management believes that the allowance for credit losses is adequate, but continues to monitor it along with other performance metrics including those ratios related to non-performing loans. Management is not aware of any potential problem loans, which were accruing and current at June 30, 2017, where serious doubt exists as to the ability of the borrower to comply with the present repayment terms and that would result in a significant loss to Meridian Bank. Non-performing loans decreased by $1.1 million during the six month period ended June 30, 2017 to $4.2 million. The ratio of the allowance for credit losses as a percentage of loans reflects management's estimate of the level of inherent losses in the portfolio.

We typically establish a general valuation allowance on loans which are not individually impaired. In establishing the general valuation allowance, we segregate these loans by type and category. The categories used by Meridian include "pass," "watch," "special mention," "substandard" and "doubtful." For commercial mortgage, commercial and construction loans, the determination of the category for each loan is based on periodic reviews of each loan by our lending and credit officers as well as an independent, third-party consultant. The reviews include a consideration of

such factors as recent payment history, current financial data, cash flow, financial projections, collateral evaluations, guarantor or sponsorship financial strength and current economic and business conditions. Categories for residential mortgage and consumer loans are determined through a similar review. Classification of a loan within a category is based on identified weaknesses that increase the credit risk of loss on the loan. Each category carries a loss factor for the allowance percentage to be assigned to the loans within that category. The allowance percentage, is determined based on inherent losses associated with each type of lending as determined through consideration of our loss history with each type of loan, trends in credit quality and collateral values, and an evaluation of current economic and business conditions.

As of June 30, 2017, Meridian had $4.2 million of non-performing loans. This compares to $5.3 million at December 31, 2016. Loans are reviewed for impairment in accordance with FASB ASC 310-10-35. Impaired loans can be either secured or unsecured. Impairment is measured by the difference between the loan amount and the present value of the future cash flow discounted at the loan's effective interest rate. Management measures loans for impairment by using the fair value of collateral for collateral dependent loans. In general, management reduces the amount of the appraisal by the estimated cost of acquisition and disposition of the underlying collateral and compares that adjusted value with Meridian's carrying value. Meridian establishes a specific valuation allowance on impaired loans that have a collateral shortfall and/or cash flow shortfalls, including estimated costs to sell in comparison to the carrying value of the loan. Of the $9.0 million of loans evaluated for impairment, of which $3.9 million were non-performing loans and $2.2 million were performing TDRs, at June 30, 2017, $313 thousand had valuation allowances of $59 thousand and $8.7 million had no specific allowance. Of the $6.4 million of loans evaluated for impairment at December 31, 2016, $1.4 million had valuation allowances of $321 thousand and $5.0 million had no specific allowance. For those impaired loans that management determined that no specific valuation allowance was necessary, management has reviewed the present value of the future cash flows or the appraisal for each loan and determined that no valuation was necessary. During the six-months ended June 30, 2017, Meridian recognized $192 thousand in total charge-offs, all of which related to impaired loans. An impaired loan may not represent an actual future loss.

We typically order new third-party appraisals or collateral valuations when a loan becomes impaired or is transferred to other real estate owned ("OREO"). This is done as soon deemed necessary once a loan has become impaired or a loan has moved to OREO. It generally takes several weeks to receive the appraisals, depending on the type of property being appraised. We recognize a specific reserve within the same reporting period as a loan is determined to be impaired, and recognize a charge-off upon receiving and reviewing an updated appraisal confirming a loss. We generally order a new appraisal for all impaired real estate loans as often as economic circumstances dictate necessary. We use updated valuations when time constraints do not permit a full appraisal process, to reflect rapidly changing market conditions. Because appraisals and updated valuations utilize historical data in reaching valuation conclusions, the appraised or updated value may or may not reflect the actual sales price that we will receive at the time of sale.

Real estate appraisals typically include up to three approaches to value: the sales comparison approach, the income approach (for income-producing property) and the cost approach. Not all appraisals utilize all three approaches to value. Depending on the nature of the collateral and market conditions, the appraiser may emphasize one approach over another in determining the fair value of collateral.

In connection with the valuation process, we will typically develop an exit strategy for the collateral by assessing overall market conditions, the current condition and use of the asset and its highest and best use. For most income-producing real estate, investors value most highly a stable income stream from the asset; consequently, we conduct a comparative evaluation to determine whether conducting a sale on an "as-is" basis or on an "as-stabilized" basis is most likely to produce the highest net realizable value and compare these values with the costs incurred and the holding period necessary to achieve the "as stabilized" value.

Our estimates of the net realizable value of collateral include a deduction for the expected costs to sell the collateral or such other deductions as deemed appropriate. For most real estate collateral, we apply a ten percent deduction to the value of real estate collateral to determine its expected costs to sell the asset.

Non-Interest Income

Non-interest income primarily includes mortgage banking income which consists of net margin earned on residential mortgage loans originated by the mortgage division and sold to investors on the secondary market, and wealth management income which consists of fees received in connection with investment advisory services. Meridian's investment advisory services were offered through Meridian Financial Services until April 5, 2017, and through Meridian Wealth subsequent to April 5, 2017. Also included in non-interest income are changes in the fair value of derivative instruments, loans held for sale, and loans held for investment related to our mortgage banking operations, as well as other sources of income such as increases in the cash surrender value of bank owned life insurance ("BOLI"), net gains on sales of investment securities, loans, SBA loans and OREO properties. In addition, Meridian receives service charges on deposit products.

Non-interest income for the six month period ended June 30, 2017 was $17.1 million, compared to $18.7 million for the same period in 2016. The $1.6 million decrease during the six months ended June 30, 2017 was mainly attributable a decrease of $2.5 million in mortgage banking income, partially offset by an increase of $815 thousand in wealth management income. The decrease in mortgage banking income was the result of a decline in origination volume of $78.4 million period over period, while the increase in wealth management income was the result of the acquisition of HJ Wealth and the formation of Meridian Wealth.

The following table sets forth non-interest income for the six months ended June 30, 2017 and 2016.

(dollars in thousands)	Six Months Ended June 30,	
	2017	**2016**
Non-interest income:		
Mortgage banking income	$ 15,185	$ 17,691
Wealth management income	972	157
Earnings on investment in life insurance	111	63
Net change in the fair value of derivative instruments	388	656
Net change in the fair value of loans held-for-sale	217	217
Net change in the fair value of loans held-for-investment	41	-
Gain on sale of investment securities available-for-sale	4	-
Service charges	40	28
Other	113	(134)
Total non-interest income	$ 17,071	$ 18,678

Non-Interest Expense

Non-interest expense for the six month period ended June 30, 2017 was $28.0 million, compared to $27.0 million for the same period in 2016. During the six months ended June 30, 2017, total non-interest expense increased by $1.0 million. The increase was primarily due to increases of $1.1 million in salary and employee benefits, $446 thousand in occupancy and equipment, $297 thousand in professional fees (mainly legal and consulting fees), $240 thousand in advertising and promotion and $214 thousand in other expenses (mainly software and intangible amortization). These increases were partially offset by decreases of $1.1 million in loan expenses (primarily related to mortgage banking), $187 thousand in the FDIC assessment and $19 thousand in data processing.

The following table sets forth non-interest expense for the six months ended June 30, 2017 and 2016.

(dollars in thousands)	Six Months Ended June 30,	
	2017	**2016**
Non-interest expenses:		

	2017	2016
Salaries and employee benefits	$ 19,423	$ 18,280
Occupancy and equipment	1,826	1,380
FDIC assessment	296	483
Professional fees	903	606
Data processing	534	553
Advertising and promotion	940	700
Loan expenses	2,008	3,123
Other	2,113	1,900
Total non-interest income	$ 28,043	$ 27,025

Income Taxes

Income tax expense for six-month period ended June 30, 2017 was $665 thousand, compared to $1.3 million for the same period in 2016. The effective tax rate for the six month period ended June 30, 2017 was 33.1% compared to 35.2% for the same period in 2016. The effective tax rate for the six-month period ended June 30, 2017 decreased to 33.1%, primarily due to a larger percentage of tax exempt income in relation to of our pre-tax income during the first six months of 2017 compared to the first six months of 2016. Income tax expense differs from the amount determined at the statutory rate of 34.0% due to state income taxes owed in states which the bank has nexus, tax-exempt income on loans and investment securities, Meridian's ownership of BOLI policies, tax benefits on the exercise of stock options and tax credits recognized on low-income housing projects.

Recently Issued Accounting Pronouncements

For a discussion of the expected impact of accounting pronouncements recently issued but not adopted by us as of December 31, 2016, see Note 20 of Meridian's Consolidated Financial Statements as of and for the years ended December 31, 2016 and 2015.

Executive Summary – for the year ended December 31, 2016

The following items highlight Meridian's results of operations for the year ended December 31, 2016, as compared to the same period in 2015, and the changes in its financial condition as of December 31, 2016 as compared to December 31, 2015. More detailed information related to these highlights can be found in the sections that follow.

Changes in Financial Condition

- Total assets of $733.7 million as of December 31, 2016 increased $70.3 million from $663.3 million at December 31, 2015.
- Stockholders' equity of $69.9 million as of December 31, 2016 increased $17.0 million from $52.9 million as of December 31, 2015.
- Total portfolio loans and leases as of December 31, 2016 were $605.1 million, an increase of $105.0 million from the December 31, 2015 balance.
- Total non-performing loans and leases of $5.3 million represented 0.83% of total loans and leases as of December 31, 2016 as compared to $3.8 million, or 0.58% of total loans and leases as of December 31, 2015.
- The $5.4 million allowance for loan loss, as of December 31, 2016, represented 0.90% of portfolio loans and leases, as compared to $5.3 million, or 1.06% of portfolio loans and leases as of December 31, 2015.
- Total deposits of $527.1 million as of December 31, 2016 increased $36.6 million from $490.6 million as of December 31, 2015.

Results of Operations

- Net income for the year ended December 31, 2016 was $4.9 million, a decrease of $1.3 million compared to net income of $6.2 million for the same period in 2015.
- Tax-equivalent net interest income increased $2.4 million, or 10.3%, to $25.8 million for the year ended December 31, 2016, as compared to $23.4 million for the same period in 2016.
- The provision for loan losses of $1.2 million for the year ended December 31, 2016 was a decrease of $236 thousand from $1.4 million for the same period in 2015.
- Non-interest income of $42.8 million for the year ended December 31, 2016 was a $6.7 million increase from the same period in 2015.
- Mortgage fee revenue of $41.4 for the year ended December 31, 2016 represented an increase of $7.7 million from $33.7 million for the same period in 2015.
- Non-interest expense of $59.9 million for the year ended December 31, 2016 increased $11.3 million, from $48.6 million for the same period in 2015.

Results of Operations

Summary

Net income for the year ended December 31, 2016 was $4.9 million compared to $6.2 million for the same period in 2015. The results of operations for the year ended December 31, 2016 compared to the same period in 2015, in general, were negatively impacted by higher levels of overhead relative to salaries, occupancy and other expenses as well as lower levels of profitability in the mortgage division in 2016. These changes were partially offset by an increase in net interest income at the bank of $2.3 million as well as a $437 thousand increase in non-interest income and a $236 thousand decrease in the provision for loan losses. As shown in the consolidating income table below, net income for the bank decreased $538 thousand year over year and the mortgage division decreased $728 thousand due to increased overhead expenses related to current and anticipated growth.

	The year ended December 31, 2016			The year ended December 31, 2015		
	Bank	**Mortgage**	**Consolidated**	**Bank**	**Mortgage**	**Consolidated**
(Dollars in thousands)						
Net interest income	$24,868	$ 920	$ 25,788	$ 22,547	$ 844	$ 23,391
Provision for loan losses	(1,198)	-	(1,198)	(1,434)	-	(1,434)
Net interest income after provision	23,670	920	24,590	21,113	844	21,957
Non-interest income						
Fees and other	1,073	1,680	2,753	676	1,181	1,857
Wealth management	425	-	425	386	-	386
Mortgage banking income, net of hedging costs and fair value adjustments	-	37,132	37,132	-	31,372	31,372
Mortgage fees	-	2,409	2,409	-	2,382	2,382
BOLI income	125	-	125	124	-	124
Total non-interest income	1,623	41,221	42,844	1,186	34,935	36,121

Non-interest Expense						
Salaries and employee benefits	11,927	28,925	40,852	9,775	23,236	33,011
Loan expenses	264	6,422	6,686	221	5,389	5,610
Occupancy and equipment	1,445	1,501	2,946	988	1,304	2,292
Professional services	1,378	384	1,762	1,108	344	1,452
Other	5,204	2,463	7,667	4,347	1,930	6,277
Total non-interest expense	20,218	39,695	59,913	16,439	32,203	48,642
Income before income taxes	**5,075**	**2,446**	**7,521**	**5,860**	**3,576**	**9,436**
Income tax expense	**1,651**	**948**	**2,599**	**1,898**	**1,349**	**3,248**
Net income	**$3,424**	**$ 1,498**	**$ 4,922**	**$ 3,962**	**$ 2,226**	**$ 6,188**

Net Interest Income

Meridian's earnings performance is primarily dependent upon its level of net interest income, which is the excess of income earned on interest-earning assets over expense incurred on interest-bearing liabilities. Interest income includes interest earned on loans, investments and federal funds sold and interest-earning cash, as well as loan fees and dividend income earned on investment securities. Interest expense reflects interest paid on deposits and borrowings, which includes FHLB advances, federal funds purchased, subordinated debentures and notes, and other borrowings.

Net interest income for the year ended December 31, 2016 was $25.8 million, compared to $23.4 million for the same period in 2015. Interest income for the year ended December 31, 2016 was $31.0 million, compared to $28.0 million for the same period in 2015. The $3.0 million or 10.7% increase in interest income for the year ended December 31, 2016 compared to the same period in 2015 was primarily due to a $80.3 million increase in total average earning assets which contributed $3.6 million in interest income partially offset by lower yield on earning assets of 12 basis points which reduced income by $530 thousand. Interest expense for the year ended December 31, 2016 was $5.2 million, compared to $4.6 million for the same period in 2015. The $602 thousand increase in interest expense was attributable to $43.1 million increase in average interest-bearing liabilities along with a 4 basis point increase in cost of funds. The balance of the funding came from non-interest bearing deposits and capital, the average balances of which rose $35.6 million and $15.6 million, respectively, during the period.

	For the year ended December 31, 2016 as compared to the year ended December 31, 2015			For the year ended December 31, 2015 as compared to the year ended December 31, 2014		
	Change in interest due to:			Change in interest due to:		
Dollars in thousands	Rate	Volume	Total	Rate	Volume	Total
Cash	$ 2	$ 5	$ 7	$ 14	$ (8)	$ 6
Federal funds sold	2	1	3	1	(3)	(2)
Securities	(68)	206	138	(91)	170	79
Loans held for sale	(107)	499	392	(112)	762	650
Loans held for investment	(359)	2,871	2,512	(266)	2,275	2,009
	(466)	3,370	2,904	(378)	3,037	2,659
Total interest-earning assets	(530)	3,582	3,052	(454)	3,196	2,742
Deposits						
Interest checking	47	11	58	0	15	15
Money market accounts	13	173	186	6	166	172
Time deposits	214	(93)	121	20	71	91
Total	274	91	365	26	252	278
Borrowings	(33)	264	231	19	76	95
Subordinated debentures	5	0	5	14	453	467
Total interest-bearing liabilities	246	355	601	59	781	840
Net interest income	$ (776)	$3,227	$ 2,451	$ (513)	$ 2,415	$1,902

Interest on loans was $30.1 million for the year ended December 31, 2016, compared to $27.2 million for the same period in 2015. The average balance of loans held for investment was $541.6 million with an average yield of 5.06% for the year ended December 31, 2016, compared to $485.7 million with an average yield of 5.13% for the same period in 2015. The significant increases in average balances related to portfolio increases in commercial, commercial real estate and construction as the Meridian commercial lending team pursued market share through a focused mission (which included increased business development efforts and new hires) to capitalize on market dislocation. In addition, loans for sale increased $13.6 million on average from $57.9 million at December 31, 2015 to $71.6 million at December 31, 2016. The yield on loans available for sale dropped 17 basis points on average during the period.

Interest on investment securities and cash and cash equivalents was $863 thousand for the year ended December 31, 2016, compared to $751 thousand for the same period in 2015. The average balance of investment securities was $44.3 million with a tax equivalent average yield of 2.14% for the year ended December 31, 2016, compared to $34.9 million with a tax equivalent average yield of 2.32% for the same period in 2015. The average balance of cash and cash equivalents was $13.2 million with a tax equivalent average yield of 0.49% for the year ended December 31, 2016, compared to $11.9 million with a tax equivalent average yield of 0.48% for the same period in 2015.

Interest on deposits was $3.5 million for the year ended December 31, 2016, compared to $3.1 million for the same period in 2015. The average balance of deposits was $453.1 million with an average rate of 0.77% for the year ended December 31, 2016, compared to $438.1 million with an average rate of 0.71% for the same period in 2015. The increases in average balance of interest-bearing deposits was attributable to the increase in money market accounts which rose $23.1 million over period. This increase was partially offset by a decrease in the average balance of time deposits, which declined $11.1 million during the period. These changes, along with the increase in non-interest bearing deposits, reflects management's effort to increase core deposits and reduce wholesale time deposit funding.

Interest expense was also impacted by the 75 basis points increase in the federal funds rate, which has caused higher funding costs, particularly in time deposits.

Interest on borrowings was $1.7 million for the year ended December 31, 2016, compared to $1.5 million for the same period in 2015. The average balance of borrowings was $94.3 million with an average rate of 1.83% for the year ended December 31, 2016, compared to $66.2 million with an average rate of 2.25% for the same period in 2015.

Average Balances, Rates, and Interest Income and Expense

For the Year Ended December 31,	2016			2015			2104		
(in thousands)	Average Outstanding Balance	Interest Earned/ Interest Paid	Yields/ rates	Average Outstanding Balance	Interest Earned/ Interest Paid	Yields/ rates	Average Outstanding Balance	Interest Earned/ Interest Paid	Yields/ rates
Assets									
Interest-earning assets									
Due from banks	$ 12,328	$ 61	0.49%	$ 11,392	$ 54	0.47%	$ 13,413	$ 48	0.36%
Federal funds sold	877	4	0.46%	520	1	0.19%	1,545	3	0.21%
Investment securities	44,319	947	2.14%	34,863	809	2.32%	27,844	731	2.62%
Loans held for sale	71,562	2,595	3.63%	57,913	2,203	3.80%	38,058	1,553	4.08%
Loans held for investment	541,589	27,539	5.06%	485,659	25,027	5.13%	441,676	23,017	5.19%
Total loans	613,151	30,134	4.89%	543,572	27,230	4.99%	479,734	24,571	5.10%
Total interest-earning assets	670,675	31,146	4.62%	590,347	$ 28,094	4.74%	522,535	$ 25,353	4.83%
Noninterest earning assets	19,625			15,773			18,358		
Total assets	$ 690,300			$ 606,120			$ 540,894		
Liabilities and stockholders' equity									
Interest-bearing liabilities									
Interest-bearing deposits	$ 78,583	$ 332	0.42%	$ 75,604	$ 274	0.36%	$ 71,396	$ 259	0.36%
Money market and savings deposits	179,698	1,345	0.75%	156,623	1,159	0.74%	134,283	987	0.74%
Time deposits	194,818	1,793	0.92%	205,895	1,672	0.81%	197,220	1,582	0.80%
Total deposits	453,099	3,470	0.77%	438,122	3,105	0.71%	402,900	2,828	0.70%
Borrowings	80,848	754	0.93%	52,713	523	0.99%	44,957	428	0.95%
Subordinated Debentures	13,443	968	7.20%	13,445	963	7.16%	7,111	496	6.98%
Total interest-bearing liabilities	547,390	$ 5,192	0.95%	504,280	$ 4,591	0.91%	454,968	3,751	0.82%
Noninterest-bearing liabilities	72,699			49,093			37,856		
Other noninterest-bearing deposits	6,197			4,312			6,336		
Total liabilities	626,286			$ 557,685			$ 449,160		
Total stockholders' equity	64,024			48,436			41,735		
Total stockholders' equity and liabilities	690,300			$ 606,120			$ 540,894		
Net interest income		$ 25,954			$ 23,503			$ 21,601	
Net interest spread			3.67%			3.83%			4.01%
Net interest margin			3.87%			3.98%			4.13%

Provision for Credit Losses

Meridian established a $1.2 million provision for possible loan losses for the year ended December 31, 2016, compared to $1.4 million the same period in 2015. Meridian's percentage of allowance for loan losses to total loans was 0.91% at December 31, 2016 compared to 0.84% at December 31, 2015. The increase in this ratio was primarily due to a lower level of charge-offs in 2016 compared to 2015. Loan charge-offs were $1.3 million during the year ended December 31, 2016, compared to $1.7 million during the year ended December 31, 2015. Management believes that the allowance for credit losses is adequate, but continues to monitor it along with other performance metrics including those ratios related to non-performing loans. Management is not aware of any potential problem loans, which were accruing and current at December 31, 2016, where serious doubt exists as to the ability of the borrower to comply with the present repayment terms and that would result in a significant loss to Meridian Bank. Non-performing loans increased by $1.5 million during the year ended December 31, 2016. The ratio of the allowance for credit losses as a percentage of loans reflects management's estimate of the level of inherent losses in the portfolio.

As of December 31, 2016, Meridian had $5.3 million of non-performing loans. This compared to $3.8 million at December 31, 2015. Loans are reviewed for impairment in accordance with FASB ASC 310-10-35. Of the $6.4 million of loans evaluated for impairment ($5.3 million of non-performing loans and $1.1 million of performing TDRs) at December 31, 2016, $1.4 million had valuation allowances of $321 thousand and $5.0 million had no specific allowance. Of the $6.0 million of loans evaluated for impairment at December 31, 2015, $2.1 million had

valuation allowances of $744 thousand and $3.9 million had no specific allowance. For those impaired loans that management determined that no specific valuation allowance was necessary, management has reviewed the present value of the future cash flows or the appraisal for each loan and determined that no valuation was necessary. During the year ended December 31, 2016, Meridian recognized $1.3 million in total charge-offs, all of which related to impaired loans.

Non-Interest Income

Non-interest income primarily includes mortgage banking income which consists of net margin earned on residential mortgage loans originated by the mortgage division and sold to investors on the secondary market, and wealth management income which consists of fees received in connection with investment advisory services. Meridian's investment advisory services were offered through Meridian Financial Services until April 5, 2017, and through Meridian Wealth subsequent to April 5, 2017. Also included in non-interest income are changes in the fair value of derivative instruments, changes in the fair value of loans held for sale, and changes in the fair value of loans held for investment all of which relate to the Bank's mortgage banking operations. In addition, other sources of non-interest income include service charges on deposit products, fees from title insurance and other miscellaneous services as well as earnings on BOLI, and net gains on sales of investment securities, loans, and OREO properties.

Non-interest income for the years ended December 31, 2016 was $42.8 million, compared to $36.1 million for the same period in 2015. The $6.7 million increase during the year ended December 31, 2016 was mainly attributable to an increase of $7.8 million in mortgage banking income driven by improved pricing of 40 basis points along with an increase in volume of $112 million. This income was partially offset by an aggregate decrease of $1.8 million in fair value changes to loans held for sale and derivative instruments combined.

The following table sets forth non-interest income for the year ended December 31, 2016 and 2015.

(dollars in thousands)	**Year Ended December 31,**	
	2016	**2015**
Non-interest income		
Mortgage banking income	$ 41,431	$ 33,665
Wealth management income	425	386
Earnings on investment in life insurance	125	124
Net change in the fair value of derivative instruments	(122)	423
Net change in the fair value of loans held-for-sale	(833)	487
Net change in the fair value of loans held-for-investment	30	-
Gain on sale of investment securities available-for-sale	3	(32)
Service charges	66	49
Other	1,719	1,019
Total non-interest income	$ 42,844	$ 36,121

Non-Interest Expense

Non-interest expense for the year ended December 31, 2016 was $59.9 million, compared to $48.6 million for the same period in 2015. The largest component of the $11.3 million increase was in salary and employee benefits, which rose $7.8 million year over year. This cost increased considerably as a result of commission and salary costs for the mortgage division of $5.7 million as well as increased salary and benefits of $2.1 million for the bank. The mortgage division salary commission and salary costs relate to higher levels of mortgage originations in 2016 compared to 2015. The higher levels of salary costs for the bank relate to employees hired in late 2015 and early 2016. The bank hired four IT professionals, six branch personnel/business developers, 11 lending personnel (lenders, credit administration and support) and other support staff in compliance and legal. These new hires were pivotal to the continued execution of our strategic growth plan.

Loan expenses, primarily related to mortgage banking, increased $1.1 million due to increased level of originations. Occupancy and equipment increased $654 thousand year over year due to new branches and locations opening in

2016. Professional fees increased $310 thousand, mainly legal and consulting fees, also related to the expansion. Advertising and promotion and data processing increased $249 thousand and $214 thousand, respectively, due to our growth. Other expenses increased $927 thousand due mainly to software and telecommunication related expense.

The following table sets forth non-interest expense for the year ended December 31, 2016 and 2015.

(dollars in thousands)	Year Ended December 31,	
	2016	2015
Noninterest expenses		
Salaries and employee benefits	$ 40,852	$ 33,011
Occupancy and equipment	2,946	2,292
FDIC assessment	625	912
Professional fees	1,762	1,452
Data processing	1,146	932
Advertising and promotion	1,727	1,478
Loan expenses	6,686	5,610
Other	4,169	2,955
Total non-interest expense	$ 59,913	$ 48,642

Income Taxes

Income tax expense for year ended December 31, 2016 was $2.6 million, compared to $3.2 million for the same period in 2015. The effective tax rate for the year ended December 31, 2016 was 34.5% compared to 34.4% for the same period in 2015. Income tax expense differs from the amount determined at the statutory rate of 34.0% due to state income taxes owed to states in which we have a nexus, tax benefits on the exercise of stock options, tax-exempt income on loans and investment securities, Meridian's ownership of BOLI policies, and credits recognized on low-income housing projects.

Financial Condition Analysis – At June 30, 2017 and December 31, 2016

Meridian's total assets were $780.7 million at June 30, 2017, compared to $733.7 million at December 31, 2016. The $47.0 million, or 6.4% increase in total assets was primarily attributable to a $43.3 million increase in net loans held for investment, a $6.1 million increase in BOLI, $5.7 million increase in intangibles and other assets partially offset by a $5.0 million decrease in cash and investment securities and a $3.2 million decrease in mortgage loans available for sale.

Cash and Investment Securities. Cash and investment securities were $10.3 million and $51.0 million, respectively, at June 30, 2017 compared to $18.9 and $47.6 million at December 31, 2016. The $3.5 million increase in investment securities was primarily due to $6.1 million in purchases along with $475 thousand in fair value adjustments partially offset by $3.1 million in principal pay-downs, net amortizations and maturities. There were no sales of investment securities during the period. Excess cash on hand at June 30, 2017 was used to fund asset growth.

Loans. Meridian's loans for investment increased $44.8 million or 7.4% to $649.9 million at June 30, 2017, compared to $643.9 million at December 31, 2016. Total commercial loans increased $7.2 million, commercial real estate loans, including construction, increased $37.4 million while consumer loans, including home equity and residential loans held in portfolio, increased $591 thousand.

Goodwill and Intangible Assets. Goodwill and intangible assets were $5.6 million at June 30, 2017. These assets resulted from the acquisition of HJ Wealth, a Pennsylvania-based wealth management firm that was completed on April 5, 2017. There were no goodwill or intangible assets at December 31, 2016.

Deposits. Deposits were $559.5 million at June 30, 2017, compared to $527.1 million at December 31, 2016. Deposits increased $32.4 million or 6.1% during the six month period ended June 30, 2017. Non-interest bearing

deposits, interest checking, money markets and savings accounts, increased by $47.0 million, while time deposits decreased by $14.6 million.

Borrowings. Borrowings were $129.8 million at June 30, 2017, compared to $118.4 million at December 31, 2016. The increase of $11.4 million was comprised of $9.0 million in new overnight advances and Fed funds along with a $2.5 million, 3-year note payable issued in connection with the purchase HJ Wealth, as discussed above.

Stockholders' Equity. Stockholders' equity was $71.1 million at June 30, 2017, compared to $70.0 million at December 31, 2016. The increase in stockholders' equity was primarily a result of year-to-date earnings of $1.3 million, $307 thousand of other comprehensive income along with $100 thousand in share-based awards and exercises, partially offset by $578 thousand of dividends paid on preferred stock.

Investment Securities

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

As of June 30, 2017, the securities in our securities portfolio consisted primarily of municipal bonds issued by state and political subdivisions, mortgage- backed securities backed by GSEs, U.S. government obligations, and other debt securities with varying contractual maturities. Our mortgage- backed securities are comprised of both fixed and floating rate securities. Floating rate securities consist mainly of seasoned ARM collateral that reprices annually. Our other debt securities category is comprised of fixed and floating rate government-sponsored agency collateralized mortgage obligations (CMO's) secured by single-family and multifamily loans. The Board of Directors has delegated authority for the development and implementation of all asset and liability management policies, procedures, and strategies to the Asset/Liability Committee (ALCO). The ALCO reviews our securities portfolio on an ongoing basis to ensure that the investments conform to our investment policy.

The following table sets forth the composition of the investment securities portfolio as of June 30, 2017, and December 31, 2016, 2015 and 2014:

As of the Period Ended	**June 30, 2017**		**December 31, 2016**		**December 31, 2015**		**December 31, 2014**	
(in thousands)	**Amount**	**Percent of total portfolio**	**Amount**	**Percent of total portfolio**	**Amount**	**Percent of total portfolio**	**Amount**	**Percent of total portfolio**
Securities available-for-sale								
U.S. Agency MBS	$ 22,352	43.81%	$ 21,481	45.18%	$ 15,482	38.96%	$ 6,589	21.31%
U.S. Agency CMO	4,731	9.27	1,434	3.02	640	1.61	922	2.98
U.S. Agency SBA					3,607	9.08	3,969	12.84
State and Municipal securities	9,356	18.34	9,110	19.16	3,346	8.42		
U.S. Callable Agency securities							6,863	22.20
Other securities	1,010	1.98	1,001	2.11	1,017	2.56	1,000	3.23
Total available-for-sale securities	$ 37,449	73.39%	$ 33,027	69.45%	$ 24,092	60.63%	$ 19,343	62.57%
Held-to-maturity securities								
State and municipal securities	11,607	22.75	12,560	26.41	13,695	34.46	8,630	27.92
Corporate securities							1,000	3.23
U.S. Treasury securities	1,971	3.86	1,965	4.13	1,952	4.91	1,940	6.28
Total held-to-maturity securities	$ 13,578	26.61%	$ 14,525	30.55%	$ 15,647	39.37%	$ 11,570	37.43%
Total securities	**$ 51,027**	**100.00%**	**$ 47,552**	**100.00%**	**$ 39,739**	**100.00%**	**$ 30,913**	**100.00%**

No securities are considered other-than-temporarily impaired based on management's evaluation of the individual securities, including the extent and length of any unrealized losses, and our ability to hold the security until maturity or until the fair value recovers, and management's opinion that it will not have to sell the securities prior to recovery of value. We invest in securities for the cash flow and yields they produce and not to profit from trading. We do not hold

trading securities in our portfolio. At June 30, 2017, there were no securities of which the amortized cost or estimated fair value exceeded 10% of our total equity.

Loans

The following table sets forth the composition of the loan portfolio as of June 30, 2017, and December 31, 2016, 2015, 2014, 2013 and 2012:

As of the Period Ended	June 30, 2017		December 31, 2016		December 31, 2015		December 31, 2014		December 31, 2013		December 31, 2012	
(in thousands)	Amount	Percent of total loans	Amount	Percent of total loans	Amount	Percent of total loans	Amount	Percent of total loans	Amount	Percent of total loans	Amount	Percent of total loans
Mortgage loans held-for-sale	$ 36,411	5.31%	$ 39,573	6.14%	$ 83,684	14.33%	$ 45,065	8.58%	$ 34,992	7.95%	$ 41,156	10.49%
Loans held-for-investment												
Real estate loans:												
Commercial mortgage loans	245,933	35.83	225,584	34.99	168,096	28.79	142,111	27.04	130,319	29.60	118,926	30.33
Home equity lines and loans	84,357	12.29	85,385	13.24	85,288	14.61	91,715	17.45	90,542	20.56	86,430	22.04
Residential mortgage loans	31,932	4.65	30,295	4.70	25,378	4.35	43,673	8.31	33,043	7.50	19,598	5.00
Construction loans:	82,898	12.08	65,846	10.21	55,182	9.45	47,063	8.96	32,877	7.47	26,146	6.87
Total real estate loans	$ 445,120	64.86%	$ 407,090	63.15%	$ 333,944	57.20%	$ 324,582	61.75%	$ 286,781	65.13%	$ 251,100	64.03%
Commercial and industrial loans	203,282	29.62	196,091	30.42	164,346	28.15	152,201	28.96	116,783	28.52	96,936	24.72
Consumer loans	432	0.06	450	0.07	417	0.07	1,049	0.20	647	0.15	1,364	0.35
Leases, net	1,071	0.16	1,469	0.23	1,389	0.24	2,620	0.50	1,126	0.26	1,602	0.41
Total loans and leases held-for-investment	$ 649,905	94.69%	$ 605,100	93.86%	$ 500,096	85.67%	$ 480,452	91.42%	$ 405,337	92.05%	$ 351,002	89.51%
Total loans and leases	$ 686,316	100.00%	$ 644,673	100.00%	$ 583,780	100.00%	$ 525,517	100.00%	$ 440,329	100.00%	$ 392,158	100.00%
Loans with predetermined rates	203,029	29.58	193,378	30.00	214,056	36.67	187,734	35.72	154,861	35.17	131,246	33.47
Loans with adjustable or floating rates	483,287	70.42	451,295	70.00	369,724	63.33	337,783	64.28	285,468	64.83	260,912	66.53
Total loans and leases	$ 686,316	100.00%	$ 644,673	100.00%	$ 583,780	100.00%	$ 525,517	100.00%	$ 440,329	100.00%	$ 392,158	100.00%
Net deferred loan origination (fees) costs	(1,507)		(809)		648		375		(56)		(66)	
Allowance loan origination (fees) costs	(6,214)		(5,425)		(5,298)		(5,008)		(4,084)		(4,900)	
Total loans and leases, net	$ 678,595		$ 638,439		$ 579,130		$ 520,884		$ 436,189		$ 387,192	

The following table sets forth the contractual maturities of the loan portfolio as of June 30, 2017:

As June 30, 2017 (in thousands)	Due in 1 year or less	Due in 1 year through 5 years	Due after 5 years	Total
Mortgage loans held-for-sale	$	$	$ 36,411	$ 36,411
Loans held-for-investment				
Real estate loans:				
Commercial mortgage loans	15,245	61,336	169,352	245,933
Home equity lines and loans	114	2,438	81,805	84,357
Residential mortgage loans			31,932	31,932
Construction loans	33,880	33,554	15,464	82,898
Total real estate loans	$ 49,239	$ 97,328	$ 298,553	$ 445,120
Commercial and industrial loans	22,737	46,571	133,974	203,282
Consumer loans	80	232	120	432
Leases, net	68	1,003		1,071
Total loans and leases held-for-investment	$ 72,124	$ 145,134	$ 432,647	$ 649,905
Total loans and leases	$ 72,124	$ 145,134	$ 469,058	$ 686,316
Loans with predetermined rates	14,060	82,943	106,026	203,029
Loans with adjustable or floating rates	58,062	62,190	363,035	483,287
Total loans and leases	$ 72,122	$ 145,133	$ 469,061	$ 686,316

The following table sets forth the contractual maturities of the loan portfolio as of December 31, 2016:

As December 31, 2016 (in thousands)	Due in 1 year or less	Due in 1 year through 5 years	Due after 5 years	Total
Mortgage loans held-for-sale	$	$	$ 39,573	$ 39,573
Loans held-for-investment				
Real estate loans:				
Commercial mortgage loans	13,813	50,850	160,091	225,564
Home equity lines and loans	194	2,113	83,078	85,385
Residential mortgage loans	277		30,018	30,295
Construction loans	30,595	28,732	6,519	65,846
Total real estate loans	$ 44,879	$ 81,695	$ 280,517	$ 407,090
Commercial and industrial loans	24,210	68,795	103,086	196,091

Consumer loans		86		217		147		450
Leases, net		76		1,393				1,469
Total loans and leases held-for-investment	$	69,251	$	152,100	$	383,750	$	605,100
Total loans and leases	$	69,251	$	152,100	$	423,323	$	644,673
Loans with predetermined rates		14,510		77,784		101,084		193,378
Loans with adjustable or floating rates		54,742		74,315		322,238		451,295
Total loans and leases	$	69,252	$	152,099	$	423,323	$	644,673

Asset Quality

Meridian Bank continues to work diligently to maintain asset quality by adhering to strict underwriting standards and strong lending policies and procedures. Non-performing assets totaled $4.2 million at June 30, 2017 compared to $5.3 million at December 31, 2016 and $5.9 million at June 30, 2016. Non-performing loans to total loans were 0.61% at June 30, 2017, 0.83% at December 31, 2016, and 0.89% at June 30, 2016. As a percentage of total loans, excluding loans held-for-sale, non-performing loans were 0.65%, 0.88%, and 1.05% at June 30, 2017, December 31, 2016, and June 30, 2016 respectively. Non-performing assets were 0.54% of total assets at June 30, 2017, down from 0.73% December 31, 2016 and 0.80% at June 30, 2016. The allowance to non-performing loans ratio was 148.13% at June 30, 2017, 101.90% at December 31, 2016, and 92.13% at June 30, 2016. The increase was primarily the result of a decrease in non-performing assets of $1.1 million from December 31, 2016 to $4.2 million at June 30, 2017.

Non-performing assets are comprised of non-accrual loans, loans delinquent over ninety days and still accruing and OREO. Non-accrual loans are loans for which the accrual of interest ceases when the collection of principal or interest payments is determined to be doubtful by management. It is the policy of Meridian Bank to discontinue the accrual of interest when principal or interest payments are delinquent 90 days or more unless the loan principal and interest are determined by management to be fully secured and in the process of collection. Interest received on such loans is applied to the principal balance, or may, in some instances, be recognized as income on a cash basis. A non-accrual loan may be restored to accrual status when management expects to collect all contractual principal and interest due and the borrower has demonstrated a sustained period of repayment performance in accordance with the contractual terms. OREO consists of real estate acquired by foreclosure or deed-in-lieu of foreclosure. OREO and other repossessed assets are carried at the lower of carrying value or estimated fair value, less estimated disposition costs. Any significant change in the level of non-performing assets is dependent, to a large extent, on the economic climate within Meridian's market area.

Meridian Bank's credit committee of the board of directors monitors the performance of the loan portfolio to identify potential problem assets on a timely basis. Committee members meet to design, implement and review asset recovery strategies, which seeks to maximize the recovery of each troubled asset. As of June 30, 2017, Meridian Bank had $4.9 million loans classified substandard or worse. Of the $4.9 million of such assets, $1.1 million are performing and are believed to require supervision and review greater than loans classified pass or special mention, and may, depending on the economic environment and other factors, become non-performing assets in future periods. The amount of performing substandard loans at December 31, 2016 was $1.0 million. The majority of non-performing loans are secured by commercial real estate, with lesser amounts being secured by residential real estate, inventory and receivables.

Troubled Debt Restructurings

Loans whose terms are modified are classified as troubled debt restructurings ("TDR") if Meridian Bank grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a temporary reduction in interest rate or an extension of a loan's stated maturity date. Non-accrual troubled debt restructurings may be restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification and other conditions are met. Loans classified as TDR are designated as impaired.

At June 30, 2017, Meridian Bank had eighteen TDRs with recorded investment totaling $5.5 million, nine of which totaled $2.2 million, represented accruing loans performing in compliance with the terms of their modifications. The remaining $3.3 million represents nine loans that were nonaccrual impaired loans. All TDRs are designated impaired

and subject to collateral evaluations. As a result of the evaluations, specific reserves and charge-offs are taken where appropriate.

At December 31, 2016, Meridian Bank had eighteen TDRs with recorded investment totaling $5.8 million, nine of which totaled $2.3 million, represented accruing loans performing in compliance with the terms of their modifications. The remaining $3.5 represents nine loans that were nonaccrual impaired loans. As a result of the required collateral evaluations, specific reserves and charge-offs have been taken where appropriate. For the year-ended December 31, 2016, Meridian Bank had two new TDRs, one CRE loan in the amount of $119 thousand and one commercial loan in the amount of $2.2 million. We have not experienced any concentration in the industries of our TDRs.

The following table sets forth those assets that are: (i) placed on non-accrual status, (ii) contractually delinquent by 90 days or more and still accruing, (iii) OREO as a result of foreclosure or voluntary transfer to Meridian Bank as well as other repossessed assets, and (iv) troubled debt restructured loans. In addition, the table sets forth Meridian's asset quality and allowance coverage ratios at the dates indicated:

Non-Performing Assets and Related Ratios

(Dollars in thousands)

	As of June 30, 2017	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
Non-performing assets:						
Nonaccrual loans:						
Commercial mortgage	$ 613	$ 892	$ 808	$ 919	$ 4,694	$ 5,327
Commercial land development	219	219	439	439	-	-
Home equity lines and loans	168	132	208	130	79	228
Residential mortgage	298	298	818	125	-	-
Commercial construction	-	-	-	-	163	-
Total real estate loans	$ 1,298	$ 1,541	$ 2,273	$ 1,613	$ 4,936	$ 5,555
Commercial and industrial	2,863	3,741	1,443	1,884	2,964	2,878
Shared national and commercial credits	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Lease financing	-	-	-	-	-	-
Total nonaccrual loans	$ 4,161	$ 5,282	$ 3,716	$ 3,497	$ 7,900	$ 8,433
Loans 90 days past due and accruing	34	42	38	-	-	-
Total non-performing loans	$ 4,195	$ 5,324	$ 3,754	$ 3,497	$ 7,900	$ 8,433
Other real estate owned	-	-	189	398	1,751	4,597
Total non-performing assets	$ 4,195	$ 5,324	$ 3,943	$ 3,895	$ 9,651	$ 13,030
Troubled debt restructurings:						
TDRs included in non-performing loans	3,284	3,482	2,659	3,263	5,647	1,677
TDRs in compliance with modified terms	2,239	2,279	2,658	1,864	3,817	3,461
Total TDRs	$ 5,523	$ 5,761	$ 5,317	$ 5,127	$ 9,390	$ 5,138
Asset quality ratios:						
Non-performing assets to total assets	0.54%	0.73%	0.63%	0.67%	1.93%	2.93%
Non-performing loans to:						
Total loans	0.61%	0.83%	0.68%	0.66%	1.79%	2.15%
Total loans held-for-investment	0.65%	0.88%	0.75%	0.73%	1.95%	2.40%
Allowance for loan losses to:						
Total loans	0.91%	0.84%	0.91%	0.95%	0.93%	1.25%
Total loans held-for-investment	0.96%	0.90%	1.06%	1.04%	1.01%	1.40%
Non-performing loans	148.13%	101.90%	133.65%	143.21%	51.68%	58.11%
Total loans and leases	$ 684,809	$ 643,864	$ 584,428	$ 525,892	$ 440,273	$ 392,092
Total loans and leases held-for-investment	$ 648,398	$ 604,291	$ 500,744	$ 480,827	$ 405,281	$ 350,936
Allowance for loan and lease losses	$ 6,214	$ 5,425	$ 5,298	$ 5,008	$ 4,084	$ 4,900

Analysis of Allowance for Loan Losses

(Dollars in thousands)

	Six Months Ended June 30, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Beginning balance	$ 5,425	$ 5,298	$ 5,008	$ 4,084	$ 4,900	$ 4,480
Provisions	780	1,198	1,434	2,543	861	1,515
Loans charged off:						
Real estate loans:						
Commercial mortgage	(30)	(219)		(979)	(613)	(256)
Home equity lines and loans	(42)	(248)	(243)	(299)	(229)	(190)
Residential mortgage		(225)	(281)			(345)
Commercial construction				(20)	(578)	(17)
Commercial and industrial	(120)	(633)	(1,152)	(331)	(315)	(265)
Shared national commercial credits						
Consumer		(1)		(77)	(21)	(44)
Lease financing						(11)
Total charged off	(192)	(1,326)	(1,676)	(1,706)	(1,756)	(1,128)
Recoveries:						
Real estate loans:						
Commercial mortgage	16	13		51	29	
Home equity lines and loans	(6)	185	4	2	6	10
Residential mortgage	2	4	3			
Commercial construction	2	2	492		9	

Commercial and industrial	187	47	21	30	16	13
Shared national commercial credits						
Consumer		4	12	4	19	10
Lease financing						
Total recoveries	201	255	532	87	79	33
Ending balance	$ 6,214	$ 5,425	$ 5,298	$ 5,008	$ 4,084	$ 4,900

The following table sets forth the composition of Meridian's allowance for loan losses for the dates indicated.

Composition of Allowance for Loan Losses
(Dollars in thousands)

	As of June 30, 2017		As of December 31, 2016		As of December 31, 2015		As of December 31, 2014		As of December 31, 2013		As of December 31, 2012	
	Amount	**Percent of Loan Type to Total Loans**	**Amount**	**Percent of Loan Type to Total Loans**	**Amount**	**Percent of Loan Type to Total Loans**	**Amount**	**Percent of Loan Type to Total Loans**	**Amount**	**Percent of Loan Type to Total Loans**	**Amount**	**Percent of Loan Type to Total Loans**
Mortgage loans held-for-sale	**$**	**5.3%**	$	6.1%	$	14.3%	$	8.6%	$	7.9%	$	10.5%
Real estate loans:												
Commercial mortgage loans	**2,423**	**35.7%**	2,038	35.0%	1,635	28.7%	1,634	26.9%	1,309	29.5%	1,483	30.3%
Home equity lines and loans	**228**	**12.3%**	460	13.2%	455	14.6%	456	17.5%	580	20.6%	777	22.0%
Residential mortgage loans	**79**	**4.7%**	85	4.7%	254	%4.4	207	8.3%	261	7.5%	198	5.0%
Commercial construction	**1,388**	**12.1%**	690	10.2%	700	9.5%	912	9.0%	629	7.5%	1,170	6.7%
Commercial and industrial	**2,086**	**29.6%**	1,973	30.5%	2,247	28.2%	1,718	29.0%	1,146	26.5%	1,130	24.7%
Consumer	**2**	**0.1%**	2	0.1%	2	0.1%	6	0.2%	6	0.2%	15	0.4%
Leases financing	**8**	**0.2%**	5	0.2%	5	0.2%	11	0.5%	11	0.3%	15	0.4%
Unallocated		**0.0%**	172	0.0%		0.0%	64	0.0%	142	0.0%	112	0.0%
Total	**$ 6,214**	**100.0%**	$ 5,425	100.0%	$ 5,298	100.0%	$ 5,008	100.0%	$ 4,084	100.0%	$ 4,900	100.0%

Financial Condition Analysis – At December 31, 2016 and December 31, 2015

Meridian's total assets were $733.7 million at December 31, 2016, compared to $633.3 million at December 31, 2015. The $70.3 million, or 10.6% increase in total assets was primarily attributable to a $103.5 million increase in net loans held for investment, a $7.8 million increase in investment securities and a $3.5 million increase in bank premises, equipment and other assets partially offset by $44.1 million decrease in mortgage loans available for sale.

Cash and Investment Securities. Cash and investment securities were $18.9 million and $47.6 million at December 31, 2016, respectively, compared to $19.2 and $39.7 million at December 31, 2015. The $7.8 million increase in investment securities was primarily due to $16.2 million in purchases partially offset by $3.9 million in principal pay-downs and maturities along with $3.4 million in sales, $761 thousand in net amortizations and $287 thousand in fair value adjustments during the period.

Loans. Meridian's loans for investment increased $103.5 million or 20.7% to $604.3 million at December 31, 2016, compared to $500.7 million at December 31, 2015. Total commercial loans increased $31.7 million, commercial real estate loans, including construction, increased $68.1 million while consumer loans, including home equity and residential loans held in portfolio, increased $5.0 million. Residential loans available for sale decreased $44.1 million.

Deposits. Deposits were $527.1 million at December 31, 2016, compared to $490.6 million at December 31, 2015. Deposits increased $36.6 million or 7.5% during the year ended December 31, 2016. Non-interest bearing deposits increased $36.0 million or 59.6% year over year. Interest checking, money markets and savings accounts, time deposits increased by $530 thousand combined.

Borrowings. Borrowings were $118.4 million at December 31, 2016, compared to $101.4 million at December 31, 2015. The increase of $17.0 million and was comprised of new overnight advances and Fed funds along. No additional was issued during 2016.

Stockholders' Equity. Stockholders' equity was $70.0 million at December 31, 2016, compared to $52.9 million at December 31, 2015. The increase in stockholders' equity was primarily a result of net proceeds from a capital raise of 13.1 million, earnings of $4.9 million, along with $371 thousand in share-based awards and exercises, partially offset by $1.2 million of dividends paid on preferred stock and $228 thousand of other comprehensive loss.

Investment Securities

As of December 31, 2016, all of the securities in our securities portfolio consisted primarily of municipal bonds issued by state and political subdivisions, mortgage- backed securities backed by government-sponsored agencies, U.S. government obligations, and other debt securities with varying contractual maturities. Our mortgage- backed securities are comprised of both fixed and floating rate securities. Floating rate securities consist mainly of seasoned ARM collateral that reprices annually. Our other debt securities category is comprised of fixed and floating rate government-sponsored agency CMOs secured by single-family and multifamily loans. Our ALCO reviews our securities portfolio on an ongoing basis to ensure that the investments conform to our investment policy.

No securities are considered other-than-temporarily impaired based on management's evaluation of the individual securities, including the extent and length of any unrealized losses, and our ability to hold the security until maturity or until the fair value recovers, and management's opinion that it will not have to sell the securities prior to recovery of value. We invest in securities for the cash flow and yields they produce and not to profit from trading. We hold no trading securities in our portfolio as of December 31, 2016.

Loans

See the information above under "- Financial Condition Analysis – At June 30, 2017 and December 31, 2016 – Loans" for additional information.

Asset Quality

Non-performing assets totaled $5.3 million at December 31, 2016 compared to $3.9 million at December 31, 2015. Non-performing assets to total assets were 0.73% at December 31, 2016 and 0.63% at December 31, 2015. Non-performing loans to total loans were 0.83% at December 31, 2016 and at 0.68% December 31, 2015. The allowance to non-performing loans ratio was 101.9% at December 31, 2016 and 133.7% at December 31, 2015.

As of December 31, 2016, Meridian Bank had $6.3 million loans classified substandard or worse. Of the $6.3 million, $255 thousand are performing and are believed to require supervision and review greater than loans classified pass or special mention, and may, depending on the economic environment and other factors, become non-performing assets in future periods. The amount of performing substandard loans at December 31, 2015 was $594 thousand. The majority of non-performing loans are secured by commercial real estate, with lesser amounts being secured by residential real estate, inventory and receivables.

Troubled Debt Restructurings

At December 31, 2016, Meridian Bank had eighteen TDRs with recorded investment totaling $5.8 million, nine of which totaled $2.3 million, represented accruing loans in compliance with the terms of their modifications. The remaining $3.5 million represents nine loans that were nonaccrual impaired loans. All TDRs are designated impaired and subject to collateral evaluations. As a result of the evaluations, specific reserves and charge-offs are taken where appropriate. During the year ended December 31, 2016, Meridian Bank had one new commercial mortgage loan TDR in the amount of $119 thousand and one commercial and industrial loan in the amount of $2.2 million.

At December 31, 2015, Meridian Bank had sixteen TDRs with recorded investment totaling $5.3 million, nine of which totaled $2.7 million, represented accruing loans in compliance with the terms of their modifications. The remaining $2.6 million represents seven loans that were nonaccrual impaired loans. As a result of the required collateral evaluations, specific reserves and charge-offs have been taken where appropriate. For the year-ended December 31, 2015, Meridian Bank had 7 new TDRs; four commercial real estate loans totaling $1.4 million and three commercial loans totaling $437 thousand.

See the information above under "- Financial Condition Analysis – period ended June 30, 2017 – Asset Quality – Troubled Debt Restructurings" for additional information.

Deposits

The following table summarizes our deposit balances at the dates presented. Included in interest-bearing deposits are transaction accounts of $79,525, $70,582 and $77,956 for June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

(dollars in thousands)	As of June 30, 2017		As of December 31, 2016		As of June 30, 2016	
	Period-end Balance	Percent of total deposits	Period- end Balance	Percent of total deposits	Period-end Balance	Percent of total deposits
Demand, noninterest	$97,994	17.51%	$96,102	18.23%	$74,634	14.04%
Demand, interest-bearing	79,920	14.28%	70,582	13.39%	777,956	14.67%
Savings Accounts	214	0.04%	180	0.03%	97	0.02%
Money market accounts	209,611	37.49%	173,870	32.98%	182,611	34.36%
Time, $100,000 and over	163,791	29.27%	177,866	33.74%	186,720	35.14%
Time, other	7,989	1.43%	8,536	1.62%	9,398	1.77%
Total	559,519	100.00%	527,136	100.00%	531,416	100.00%

The following table sets forth the maturity of time deposits for the periods presented.

(dollars in thousands)	As of June 30, 2017		As of December 31, 2016		As of June 30, 2016	
	Under $100,000	$100,000 and greater	Under $100,000	$100,000 and greater	Under $100,000	$100,000 and greater
Remaining maturity:						
Three months or less	$ 21,712	$ 30,343	$ 27,936	$ 39,429	$ 13,489	$ 44,368
Over three through six months	23,709	15,820	13,192	12,965	12,704	10,709
Over six through twelve months	35,785	21,285	17,124	37,059	25,001	52,976
Over twelve months	17,530	6,095	26,821	11,876	24,018	12,852
Total	$ 98,735	$ 73,543	$ 85,072	$ 101,330	$ 75,213	$ 120,905
Percent of total deposits	17.65%	13.14%	15.20%	18.11%	14.15%	22.75%

The following table sets forth the deposit activities for the six months ended June 30, 2017 and 2016 and year ended December 31, 2016 and 2015.

Deposit Activity (dollars in thousands)	Six Months Ended June 30,		Year Ended December 31,	
	2017	2016	2016	2015
Beginning balance	$ 527,136	$ 490,568	$ 490,568	$ 462,709
Interest credited	1,872	1,729	3,470	3,104
Net increase in deposits	30,511	39,120	33,098	24,755
Deposits at period end	$ 559,519	$ 531,417	$ 527,136	$ 490,568

Liquidity and Capital Resources

Management maintains liquidity to meet depositors' needs for funds, to satisfy or fund loan commitments, and for other operating purposes. Meridian's foundation for liquidity is a stable and loyal customer deposit base, cash and cash equivalents, a marketable investment portfolio that provides periodic cash flow through regular maturities and amortization, or that can be used as collateral to secure funding. In addition, as part of its liquidity management, Meridian maintains a segment of commercial loan assets that are comprised of SNCs which have a national market and can be sold in a timely manner. Meridian's primary liquidity, which totaled $109 million at June 30, 2017 compared to $112 million at December 31, 2016 includes investments, SNCs, Federal funds sold, mortgages held-for-sale and cash and cash equivalents, less the amount of securities required to be pledged for certain liabilities. Meridian also anticipates scheduled payments and prepayments on its loan and mortgage-backed securities portfolios.

In addition, Meridian maintains borrowing arrangements with various correspondent banks, the FHLB and the Federal Reserve Bank of Philadelphia to meet short-term liquidity needs. Through its relationship at the Federal Reserve, Meridian had available credit of approximately $12.8 million at June 30, 2017. As a member of the FHLB, we are eligible to borrow up to a specific credit limit which is determined by the amount of our residential mortgages, commercial mortgages and other loans that have been pledged as collateral. As of June 30, 2017, Meridian's

maximum borrowing capacity with the FHLB was $321.9 million. At June 30, 2017, Meridian had borrowed $127.2 million and the FHLB had issued letters of credit, on Meridian's behalf, totaling $36.6 million against its available credit lines. At June 30, 2017, Meridian also had available $26.0 million of unsecured federal funds lines of credit with other financial institutions as well as $74.8 million of available short or long term funding through the Certificate of Deposit Account Registry Service (CDARS) program and $182.5 million of available short or long term funding through brokered CD arrangements. Management believes that Meridian has adequate resources to meet its short-term and long-term funding requirements.

At June 30, 2017, Meridian had $216.1 million in un-funded loan commitments. Management anticipates these commitments will be funded by means of normal cash flows. Certificates of deposit greater than or equal to $250 thousand scheduled to mature in one year or less from June 30, 2017 totaled $135.2 million. Management believes that the majority of such deposits will be reinvested with Meridian and that certificates that are not renewed will be funded by a reduction in cash and cash equivalents or by pay-downs and maturities of loans and investments.

Meridian meets the definition of "well capitalized" for regulatory purposes on June 30, 2017. Our capital category is determined for the purposes of applying the bank regulators' "prompt corrective action" regulations and for determining levels of deposit insurance assessments and may not constitute an accurate representation of the Meridian's overall financial condition or prospects.

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

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

(Dollars in thousands)	**Actual Amount**	**Ratio**	**For Capital Adequacy Purposes* Amount**	**Ratio**	**To Be Well Capitalized Under Prompt Corrective Action Provisions Amount**	**Ratio**
June 30, 2017						
Total risk-based capital	$ 86,435	12.21%	$ 65,484	9.250%	70,793	10.00%
Common Equity Tier 1 capital	53,603	7.57	40,706	5.750	46,016	6.50
Tier 1 risk-based capital	66,448	9.39	51,325	7.250	56,635	8.00
Tier 1 (leverage) capital	66,448	8.85	30,019	4.000	37,524	5.00
December 31, 2016						
Total risk-based capital	$ 89,396	13.51%	$ 57,071	8.625%	66,169	10.00%
Common Equity Tier 1 capital	57,426	8.68	33,912	5.125	43,010	6.50
Tier 1 risk-based capital	70,271	10.62	43,837	6.625	52,935	8.00
Tier 1 (leverage) capital	70,271	9.67	29,055	4.000	36,318	5.00

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Asset/Liability Management

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

Our board of directors has established a Board Risk Committee that, among other duties, sets broad asset and liability management policy (ALM policy) and directives for asset/liability management, as well as establishes review and control procedures to ensure adherence to this policy. The Board of Directors has delegated authority for the development and implementation of all asset and liability management policies, procedures, and strategies to the ALCO. ALCO is comprised of various members of senior management responsible for implementing the longer range objectives established by the Board of Directors. As such, the ALCO sets basic direction for the bank's sources and uses of funds, establishes numerical ranges for primary and secondary objectives, monitors risk and the delivery of services, establishes subcommittees to manage specific ALM activities, and monitors the counterparties engaged in ALM activities. Our ALM policy is reviewed by at least annually, which includes an evaluation of the ALM policy limits and guidelines in light of our risk profile, business strategies, regulatory guidelines and overall market conditions.

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

Gap analysis. Management measures and evaluates the potential effects of interest rate movements on earnings through an interest rate sensitivity "gap" analysis. Given the size and turnover rate of the originated mortgage loans held for sale, loans held for sale are treated as having a maturity of 12 months or less. Interest rate sensitivity reflects the potential effect on net interest income when there is movement in interest rates. An institution is considered to be asset sensitive, or having a positive gap, when the amount of its interest-earning assets repricing within a given period exceeds the amount of its interest-bearing liabilities also repricing within that time period. Conversely, an institution is considered to be liability sensitive, or having a negative gap, when the amount of its interest-bearing liabilities repricing within a given period exceeds the amount of its interest-earning assets also within that time period. During a period of rising interest rates, a negative gap would tend to decrease net interest income, while a positive gap would tend to increase net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to decrease net interest income. The following table presents the interest rate gap analysis of our assets and liabilities as of June 30, 2017.

As of June 30, 2017 *(in thousands)*	12 Months or Less	1~2 Years	2~5 Years	Greater Than 5 years and Not Rate Sensitive	Total
Cash and investments	$ 17,757	$ 3,005	$ 11,485	$ 33,291	$ 65,538
Loans, net (1)	$ 401,786	$ 61,894	$ 180,617	$ 36,428	$ 680,725
Other assets	—	—	—	$ 34,398	$ 34,398
Total assets	$ 419,543	$ 64,899	$ 192,102	$104,117	**$ 780,661**
Liabilities and Equity:					
Noninterest-bearing deposits	$ 11,178	$ 9,908	$ 23,468	$ 53,834	$ 98,388
Interest-bearing deposits	$ 236,189	$ 26,580	$ 26,580	—	$ 289,348
Time deposits	$ 148,155	$ 18,644	$ 4,982	—	$ 171,781
FHLB advances	$ 116,842	$ 5,500	$ 7,475	$ 13,376	$ 143,193
Other liabilities	—	—	—	$ 6,811	$ 6,811
Total stockholders' equity	—	—	—	$ 71,140	$ 71,140
Total liabilities and stockholders' equity	$ 512,364	$ 60,632	$ 62,505	$145,161	**$ 780,661**
Repricing gap					
(Negative) Positive	($ 92,821)	$ 4,267	$ 129,597	($41,044)	—
Cumulative repricing gap: Dollar amount	($ 92,821)	($88,553)	$ 41,044		—
Percent of total assets	-0.01%	-0.01%	0%	—	—

(1) Includes loans held-for-sale.

The following table presents the interest rate gap analysis of our assets and liabilities as of December 31, 2016.

As of December 31, 2016 *(in thousands)*	**12 Months or Less**	**1~2 Years**	**2~5 Years**	**Greater Than 5 years and Not Rate Sensitive**	**Total**
Cash and investments	$ 16,884	$ 1,510	$ 8,612	$ 35,706	$ 62,712
Loans, net (1)	$ 386,512	$ 57,721	$ 167,246	$ 28,442	$ 639,921
Other assets	—	—	—	$ 31,060	$ 31,060
Total assets	$ 403,396	$ 59,231	$ 175,858	$ 95,208	$ 733,693
Liabilities and Equity:					
Noninterest-bearing deposits.	$ 10,968	$ 9,722	$ 23,026	$ 52,821	$ 96,537
Interest-bearing deposits	$ 197,311	$ 23,442	$ 23,442	—	$ 244,196
Time deposits	$ 147,705	$ 31,681	$ 7,016	—	$ 186,402
FHLB advances	$ 105,553	$ 6,000	$ 6,800	$ 13,376	$ 131,729
Other liabilities	—	—	—	$ 4,865	$ 4,865
Total stockholders' equity	—	—	—	$ 69,964	$ 69,964
Total liabilities and stockholders' equity	$ 461,537	$ 70,845	$ 60,284	$141,026	$ 733,693
Repricing gap-positive......................					
(Negative) Positive	($ 58,141)	($ 11,614)	$ 115,574	($45,818)	—
Cumulative repricing gap: Dollar amount	($ 58,141)	($ 69,756)	$ 45,818		—
Percent of total assets	-0.01%	-0.01%	0%	—	—

(1) Includes loans held-for-sale.

Under the repricing gap analysis for both periods, we are liability-sensitive through one year mainly due to recent loan growth which has out-paced our deposit growth. In addition, customer preference has been for short-term or liquid deposits. We generally manage our interest rate risk profile close to neutral, therefore our strategy is focused on increasing our concentration of relationship-based transaction accounts. To that end, and accordance with our business plan, we opened three deposit taking branches and hired three new business development officers in 2016 and for the first six months of 2017.

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

Simulations of net interest income. We use a simulation model on a quarterly basis to measure and evaluate potential changes in our net interest income resulting from various hypothetical interest rate scenarios. Our model incorporates

various assumptions that management believes to be reasonable, but which may have a significant impact on results such as:

- the timing of changes in interest rates,
- shifts or rotations in the yield curve,
- repricing characteristics for market rate sensitive instruments on the balance sheet,
- differing sensitivities of financial instruments due to differing underlying rate indices,
- varying timing of loan prepayments for different interest rate scenarios,
- the effect of interest rate floors, periodic loan caps and life time loan caps, and
- overall growth rates and product mix of interest-earning assets and interest-bearing liabilities.

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

Potential changes to our net interest income between a flat interest rate scenario and hypothetical rising and declining interest rate scenarios, measured over a one-year period as of December 31, 2015 and 2016 as well as over a six month period as of June 30, 2016 and 2017, are presented in the following table. The projections assume (1) instantaneous parallel upward shifts of the yield curve of 100, 200, 300 and 400 basis points and downward shifts of 100 and 200 basis points occurring immediately, and (2) shifts upward and downward of the yield curve in even increments over the first twelve months, followed by rates held constant thereafter.

Parallel Shock:

Changes in Market Interest Rates	**Estimated increase (decrease) in Net Interest Income**	
	June 30, 2016	**June 30, 2017**
(in thousands)		
+400 basis points immediately	12%	3%
+300 basis points immediately	12%	3%
+200 basis points immediately	8%	2%
+100 basis points immediately	3%	1%
No Change		
-100 basis points immediately	-6%	-4%
-200 basis points immediately	-12%	-10%

Rate Ramp:

Changes in Market Interest Rates	Estimated increase (decrease) in Net Interest Income			
	For the year ended December 31,		For the six months ended June 30,	
(in thousands)	**2015**	**2016**	**2016**	**2017**
+400 basis points over next 12 months	6%	2%	5%	8%
+300 basis points over next 12 months	6%	2%	5%	8%
+200 basis points over next 12 months	4%	1%	3%	6%
+100 basis points over next 12 months	2%	1%	1%	3%
No Change				
-100 basis points over next 12 months	-2%	-2%	-2%	-2%
-200 basis points over next 12 months	-5%	-4%	-6%	-6%

The model simulations projected an asset sensitive interest rate risk profile in both the parallel and ramp scenarios and that the simulated exposure to a change in interest rates is contained and manageable. The results are consistent with our strategy of increasing relationship-based retail and business accounts and opportunistically utilizing longer-term deposits to fund short to medium duration assets.

Simulation of economic value of equity. To quantify the amount of capital required to absorb potential losses in value of our interest-earning assets and interest-bearing liabilities resulting from adverse market movements, we calculate economic value of equity on a quarterly basis. We define economic value of equity as the net present value of the our balance sheet's cash flow, and we calculate economic value of equity by discounting anticipated principal and interest cash flows under the prevailing and hypothetical interest rate environments. Potential changes to our economic value of equity between a flat rate scenario and a hypothetical rising and declining rate scenarios, measured as of June 30, 2016 and 2017 are presented in the following table. The projections assume instantaneous parallel shifts upward and downward of the yield curve of 100, 200, 300 and 400 basis points occurring immediately. We would note that in a downward parallel shift of the yield curve, interest rates at the short-end of the yield curve are not modeled to decline any further than to 0%.

Changes in Market Interest Rates	Estimated increase (decrease) in Net Economic Value	
	June 30, 2016	**June 30, 2017**
(in thousands)		
+400 basis points immediately	(0.02)	(0.11)
+300 basis points immediately	(0.01)	(0.09)
+200 basis points immediately	(0.01)	(0.06)
+100 basis points immediately	(0.00)	(0.03)
No Change		
-100 basis points immediately	(0.07)	(0.00)
-200 basis points immediately	(0.15)	(0.07)

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

The results of our net interest income and economic value of equity simulation analysis are purely hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from that projected, our net interest income might vary significantly.

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

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

BUSINESS

Our Company

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

Led by our Chairman and CEO Christopher J. Annas, the bank was formed in 2004. At the heart of our formation was a belief that, due to a considerable level of bank consolidations, the banking needs of middle market businesses in our primary market was not adequately served. Our principle investors believed that a sales oriented, scalable *de novo* bank, with experienced bankers and a more cost-efficient structure than a traditional branch network, could grow and generate attractive returns for shareholders.

As of June 30, 2017, we had total assets of $780.7 million, total loans, net of fees and costs, of $648.4 million, total deposits of $559.5 million and total stockholders' equity of $71.1 million.

As a full-service community bank, Meridian offers products to meet our retail and commercial customer's needs through three principal business line unit distribution channels. Our primary focus is to serve small and middle-market businesses and their executives, entrepreneurs, real estate investors, professionals and high net worth individuals with a variety of financial services and solutions, while maintaining a disciplined approach to risk management. We have invested heavily in commercial lenders and operations personnel to take advantage of what we believe would be significant account turnover among banks due to local merger activity. This bore fruit as we grew our commercial / industrial lending and commercial real estate portfolios over 25% during 2016. Many of these businesses and individuals came to Meridian seeking a more stable banking environment as their existing institutions underwent consolidation. In addition to loan volume, we generated significant new deposit account activity among our customers.

Corporate Structure and Business Line Units

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

Commercial Banking

Our traditional banking operations serving both commercial and consumer customers via deposits and cash management, commercial and industrial lending, commercial real estate lending, SNCs, consumer and home equity lending, merchant services, and title and land settlement services.

Typical borrowers include:

- Commercial clients operating in manufacturing, industry and retail markets
- Commercial real estate clients focused on investment properties, land development for both commercial and residential construction
- Consumer and commercial depositors
- Consumers seeking home equity finance options
- SNCs

Mortgage Banking

A division of the bank, where our mortgage consultants guide our clients through the complex process of obtaining a loan to meet individual specific needs. Originations consist of consumer for-sale mortgage lending, loans to be held within our portfolio, and wholesale mortgage lending services. Clients include homeowners and smaller scale investors. Meridian Bank was named a Top 10 Lender (#6) by the Pennsylvania Housing Finance Agency in 2016. The mortgage division originations for the purchase of homes was 84% of its loan originations for the six months ended June 2017 and 16% was from refinance activity. The average loan size was $196 thousand for the six months ended June 30, 2017.

The bank's mortgage division operates and originates approximately 90% of its mortgage loans in the Pennsylvania, New Jersey and Delaware markets, most typically for 1-4 family dwellings, with the intention to sell substantially all of these loans in the secondary market to qualified investors. Mortgages are originated through sales and marketing initiatives, as well as realtor, builder, bank, advertising and customer referral resources. The bank utilizes a web-based loan origination system for origination, secondary pricing/lock-in, processing, closing, post-closing and government reporting. The division's main origination, processing, underwriting, closing and post-closing functions are performed at the Plymouth Meeting mortgage headquarters with 14 other production/processing offices. In 2016, Meridian Bank generated $892 million in loan originations, comprised of 4,358 individual mortgage loans, of which 98% were sold to investors. The chart below shows information regarding the mortgage loan division since 2012.

(Dollars in thousands)	**As of and for the Six Months Ended June 30,**		**As of and for the Years Ended December 31,**				
	2017	**2016**	**2016**	**2015**	**2014**	**2013**	**2012**
Loans funded	$335,604	$415,613	$910,239	$826,816	$591,072	$610,003	$515,400
Number of loans funded	1,648	2,033	4,358	4,148	2,990	2,919	2,155
Purchased loan financing	84.9%	80.2%	77.0%	74.7%	81.2%	63.2%	41.0%
Mortgage banking revenue as a percentage of loans funded	4.52%	4.26%	4.55%	4.07%	4.15%	3.49%	2.75%
Mortgage banking revenue (gross)	$ 15,185	$ 17,691	$ 41,431	$ 33,665	$ 24,533	$ 21,295	$ 14,183
Mortgage banking net income (loss)	(260)	743	1,498	2,226	1,275	1,273	1,035

The division plans on a steady, managed growth policy of deliberate production locations and personnel hiring. From time to time opportunities exist that we may take advantage of by establishing new production offices that we would not normally consider because of their location outside our primary market, but because of the quality of individuals involved, we would consider opening a mortgage loan production office for them or assuming these personnel into our current network.

Currently, many opportunities exist in the mortgage lending market for a well-capitalized community bank such as Meridian. Many larger banks have exited the market or substantially cut back on new originations in part due to legacy losses arising from the lending frenzy of the mid 2000's. The large players that remain are not, in our opinion able to offer the same level of customer satisfaction or loan officer support that Meridian Bank can offer. Given our reputation, we have been able to recruit purchase oriented mortgage loan officers. Many of our new loan officers are associated with realtor offices throughout the region via exclusive marketing agreements with those offices. Thus, our production is predominately purchase oriented, rather than refinancing.

Wealth Management and Advisory Services

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

approach to financial planning and encompasses all aspects of retirement, with an emphasis on sustainability. As of June 30, 2017, we have $659 million in assets under management.

Meridian Wealth acquired HJ Wealth in April 2017. This newly combined group brings together the experience of Meridian's own advisors, with their direct access to banking products and services and the breadth and long experience of HJ Wealth's management and staff.

Founded in 2000 by certified public accountants, HJ Wealth's proprietary analytical system, the Progression of Wealth®, is a discipline that connects the management of wealth to meaningful personal goals. HJ Wealth's client-first perspective made them a perfect match for Meridian's own business philosophy.

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

Our History and Growth

Meridian was founded in 2004. Historically, the bank focused on commercial lending, but maintained an opportunistic approach to lines of businesses that are synergistic. In 2005, the bank began to offer title insurance services through Meridian Land Settlement Service and also began to develop its wealth advisory business. Both began as an accommodation to our customers but now have become mainstay services for which we plan considerable growth. In 2010, we had the opportunity to hire a group of seasoned mortgage lenders, who had been with another regional bank prior to its sale to a large out of state financial institution. We hired 10 mortgage originators in the first year and have now grown that division to over 100 loan originators. In 2015 through mid-2016 we hired 12 commercial loan officers from various local institutions who were also disenchanted with the effects of their bank's merger/consolidation. The expansion of the commercial lending group, along with the expansion of the mortgage division, has allowed Meridian to expand into new markets, such as Media, Doylestown and Blue Bell.

Throughout the years of expansion, Meridian has been able to grow successfully with the help of two prior capital raises, and through the issuance of preferred stock in 2009 pursuant to the U.S. Treasury's TARP program. In addition, the bank has historically been a strong earner, becoming profitable as a de novo in its 5th quarter of operation. We believe our approach to growth and our ability to be nimble and opportunistic, along with a strong and early focus on profitability, have enabled us to out-perform de novo peers that operated in our market, many of which no longer exist.

Our Strategic Plan

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

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

Focus on organic growth. We intend to continue to grow our business organically in a focused and strategic manner. In late 2015 and throughout 2016 we added staff and upgraded systems to create a structure to support a larger organization. Over the past two years, we have hired new lending and credit administration teams as well as IT and compliance personnel. We believe that our overall capabilities, culture and opportunities for career growth will allow us to continue to attract talented new commercial and retail bankers to our business and enable our existing banking teams to drive loan growth. We also believe our lenders have further capacity to penetrate the markets and communities they serve as the brand awareness of Meridian Bank continues to grow.

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

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

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

These values are consistent with our belief that it is important to invest in our people, our customers and our communities. We believe these investments will enable us to attract and retain talent that fits our team concept and culture. We believe that our culture and the quality of our people have been catalysts of our success and will continue to propel our future success. Management has also set four strategic objectives designed to help us achieve maximum shareholder value, grow our Meridian brand and manage risk.

Strategic Objectives

Meet the needs of our clients. To meet the needs of our business and individual customers we prefer to provide choices to reach the best solution. As an early adopter of check scanning technology, we aim to provide advanced electronic alternatives as well as in-person choices to our clients. Our one branch per county plan is well underway, with the recent opening of the Blue Bell office and the expected opening of the Philadelphia office in November 2017, which will give us six total banking offices in the Delaware Valley. These branches also serve as important points for the community support that is such a critical part of our corporate philosophy. We will opportunistically consider and add branches, but only when viewed as wisely supporting growth demands.

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

- increase our market penetration by adding new business development officers;
- offer online account opening with best in class customer experience;
- cross-selling products to customers;
- optimize funding strategies given the interest rate environment; and
- access new markets.

Grow the Meridian brand. As we have grown, Meridian has worked to strengthen its brand in our market area. Through consistent advertising, branch and office expansion, business development activities and community involvement, the bank has shared the Meridian story and elevated its brand awareness. Brand, product and location-oriented campaigns have run on local television, radio and digital media. The bank's social media following has grown and will be further supported by a website redesign slated to roll out at the end of the third quarter of 2017. We intend to continue to:

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

Maintain strong community support. A local bank needs to be directly connected to the communities it serves. With this in mind, we whole-heartedly believe in a "Meridian everywhere" approach. Our employees serve on boards, volunteer their time, and help raise funds for local non-profits. Our Spirit Committee works with community organizations to identify volunteer opportunities and gives employees a volunteer day each year. The bank has a presence at more than one hundred community events annually and has donated more than $2.8 million since inception to charities and nonprofits in the communities we serve.

Maintain strong community support. A local bank needs to be directly connected to the communities it serves. With this in mind, we whole-heartedly believe in a "Meridian everywhere" approach. Our employees serve on boards, volunteer their time, and help raise funds for local non-profits. Our Spirit Committee works with community organizations to identify volunteer opportunities and gives employees a volunteer day each year. The bank has a presence at more than one hundred community events annually.

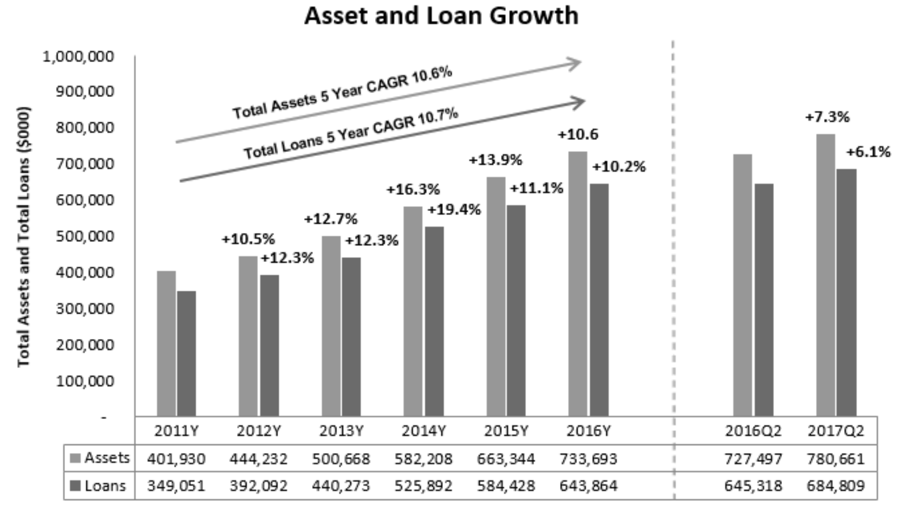
Our Competitive Strengths

Quality and stability of key management and board of directors with a strong track record. Our seasoned executive management team has extensive local knowledge of the banking industry. Drawing on their experience and deep ties to the community, our management team has grown the bank from its de novo beginnings to nearly $800 million in assets. Under their leadership, we have successfully grown through the recession, expanded our mortgage and wealth management divisions and navigated the challenges of regulatory reform. We believe management's track record of performance, guided by our board, will drive the continued growth of our franchise.

Business model. Management's strategic growth plan for the bank incorporates significant use of alternative delivery channels, such as remote deposit capture, mobile banking and bank-to-bank ACH. These customer driven services and products allow Meridian to minimize the number of branch locations as well as its branch staffing, to achieve a low-cost, efficient branch structure. Because of this structure, branch offices are equipped with state-of-the-art technology, including a TCR for quick and easy transactions and a conversation area to demonstrate mobile and online banking on a tablet and a touch screen computer. With these tools, the customer is educated and encouraged to use our electronic banking channels. Meridian's monthly average for deposits submitted electronically for the six months ended June 30, 2017 was 87% of total deposit transactions.

Asset generation. Meridian has built its loan customer base from vigorous and consistent outreach by customer-facing personnel to businesses in our region. We have over 30 lending officers, a majority of whom have over 20 years of credit lending in this community. It is our strategic goal to reach businesses in the region by placing one full-service branch in and around the counties surrounding Philadelphia while also supporting those branches with loan production offices. In total, the bank will have 24 offices after the opening of the Philadelphia branch in November 2017. These loan production offices primarily facilitate growth in mortgage banking outside of Meridian's traditional branch footprint.

Meridian's asset growth has been strong and steady since opening in 2004. Total assets at December 31, 2011 were $401.9 million and have grown at a compounded annual growth rate of 10.6% to $733.7 million at the end of 2016. The increase is driven by growth in the loan portfolio as shown in the five-year chart below, along with the growth rates for 2017 year-to-date.



	2011Y	2012Y	2013Y	2014Y	2015Y	2016Y	2016Q2	2017Q2
Assets	401,930	444,232	500,668	582,208	663,344	733,693	727,497	780,661
Loans	349,051	392,092	440,273	525,892	584,428	643,864	645,318	684,809

Our Management Team. Meridian is poised for organic and acquisition-related growth under the direction of our Management Team, who bring across-the-board competencies and experiences in both commercial and retail banking:

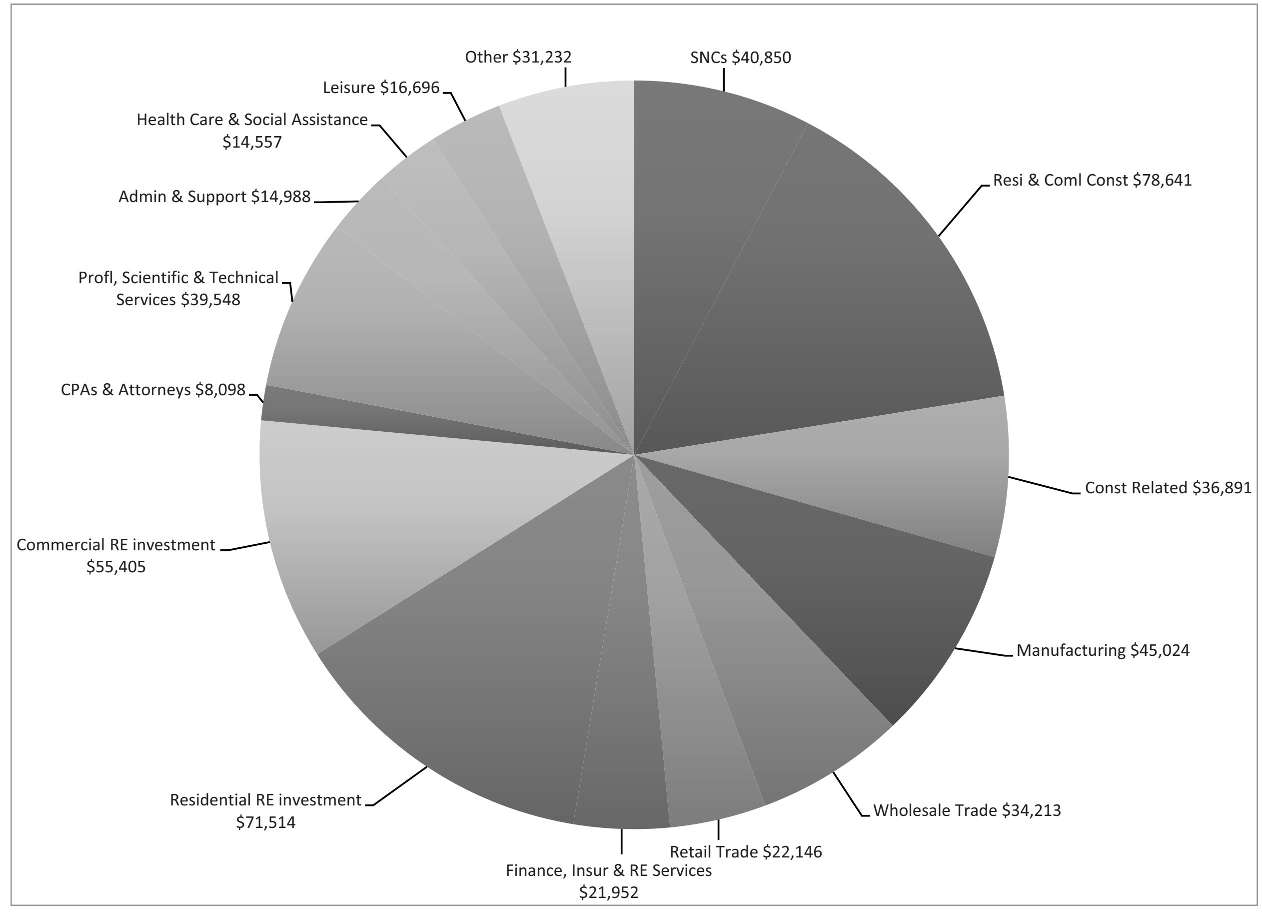
- Christopher J. Annas, Chairman, CEO and President who has 38 years of banking experience
- Denise Lindsay, EVP Chief Financial Officer who has 25 years of banking experience and who has worked with our CEO for 13 years
- Charles D. Kochka, EVP Chief Lending Officer who has 39 years of banking experience and who has worked with our CEO for 16 years
- Joseph L. Cafarchio, EVP Chief Credit Officer who has 37 years of banking experience and who has worked with our CEO for 15 years
- Thomas J. Campbell, SVP Mortgage Lending who has 31 years of banking experience and who has worked with our CEO for 7 years
- Edward J. Carpoletti, SVP Wealth Management who has 47 years of banking experience and who has worked with our CEO for 13 years
- Clarence Martindell, SVP CRE Lending who has 27 years of banking experience and who has worked with our CEO for 8 years
- James D. Nelsen, SVP Lending who has 44 years of banking experience and who has worked with our CEO for 10 years

The executive leadership and senior management teams' success in executing strategic initiatives has been accomplished via the long term recruitment of highly experienced officers with successful track records to pursue relationship-based banking. The team brings an entrepreneurial approach to the otherwise typically traditional banking field.

Loan Portfolio. Our loan offerings are designed to provide a broad range of lending tools to meet the immediate and long term financing needs of our clients. We leverage the knowledge and expertise of our relationship managers and loan officers in a consultative approach. For business and commercial real estate loans, we focus on entrepreneurs,

small businesses, and middle-market level companies in our market area. Consumer, retail and mortgage lending customers can be both within and outside of our traditional branch footprint based upon the broader locations of our loan production offices. Since inception, we have focused on building diversification to create a balanced level of commercial and industrial loans, commercial real estate loans and consumer loans. Our portfolio covers 19 primary industry groups with no single industry accounting for more than 15% of the portfolio. At June 30, 2017, the commercial loan portfolio consisted of 1,170 loans with an average size of approximately $455,000.

The graph below shows the diversification of our commercial loan portfolio at June 30, 2017.



Industry Concentration	**Current Balance**	**Percent of Total**
Administration and Support	$15.0	2.82%
Commercial Real Estate Investment	$55.4	10.41%
Construction Related	$36.9	6.93%
CPAs and Attorneys	$ 8.1	1.52%
Finance, Insurance and Real Estate Services	$22.0	4.13%
Health Care and Social Assistance	$14.6	2.74%
Leisure	$16.7	3.14%
Manufacturing	$45.0	8.46%
Scientific and Technical Services	$39.5	7.43%
Residential and Commercial Construction	$78.6	14.78%
Residential Real Estate Investment	$71.5	13.44%
Retail Trade	$22.1	4.16%

Shared National Credits	$40.9	7.68%
Trade/Wholesale Distributions	$34.2	6.43%
Other	$31.6	5.94%
Total	**$532.1**	**100.00%**

Commercial and Industrial Lending

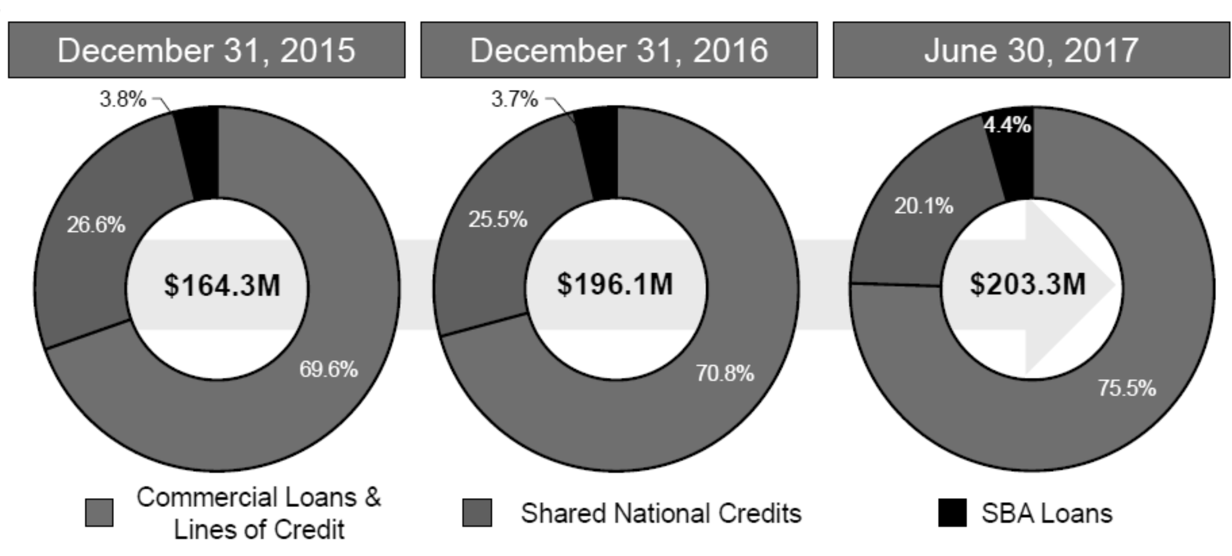
Our commercial and industrial lending department supports our small business and middle market borrowers with a comprehensive selection of loan products including financing solutions for wholesalers, manufacturers, distributors, service providers, importers, exporters, among others. Our portfolio includes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

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

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

As shown in the charts below, the commercial portfolio is comprised of commercial loans and lines of credit, shared national credits and SBA loans. The average loan size at June 30, 2017 was $427 thousand with an average yield of 4.72% for the six months then ended.

Commercial Lending Portfolio

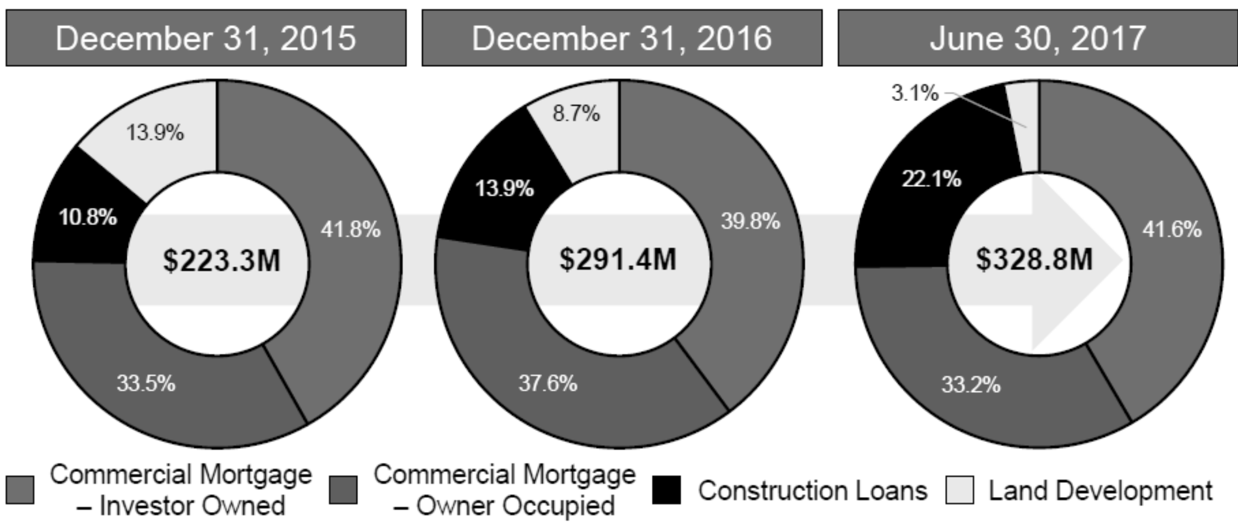


Commercial Real Estate Lending

The extensive backgrounds of our team, not only in banking, but also directly in the builder/developer fields, bring a unique perspective and ability to communicate and consider all elements of a project and related risk from the clients' and our viewpoint. The commercial real estate portfolio consists of permanent/amortizing loans, owner-occupied

commercial real estate loans and land development and construction loans for residential and commercial projects. Our approach is to apply disciplined and integrated standards to underwriting, credit and portfolio management.

Commercial Real Estate Portfolio



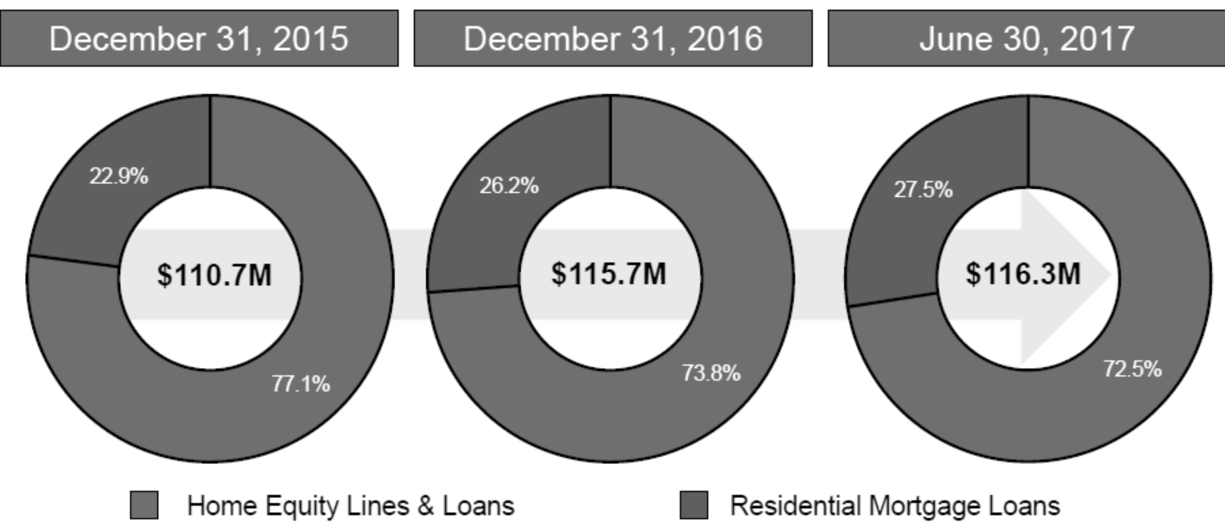
The following summarizes our product offerings:

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

Consumer and Personal Loans

Our consumer-lending department principally originates home mortgage and home equity based products for our clients and prospects. These loans typically fund completely at closing. Additional products include smaller dollar personal loans and our newly introduced student loan refinance product, designed to provide additional flexibility in repayment terms desired in the marketplace. As shown below, our consumer credit products include home equity lines and loans, residential mortgage loans held in portfolio, personal lines and loans, and student loan refinancing. The weighted average yield for the six months ended June 30, 2017 was 5.38% and the average loan size was $85 thousand.

Consumer Lending Portfolio

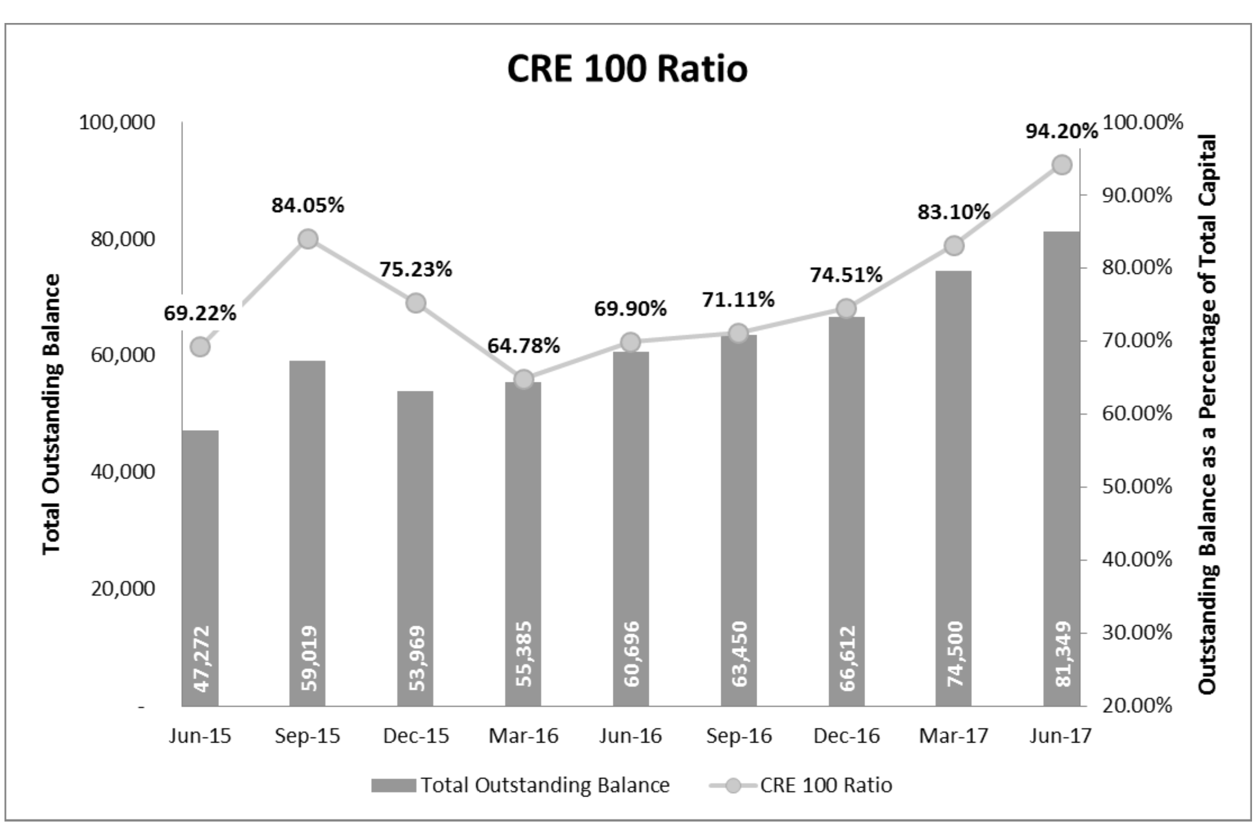


CRE Concentration

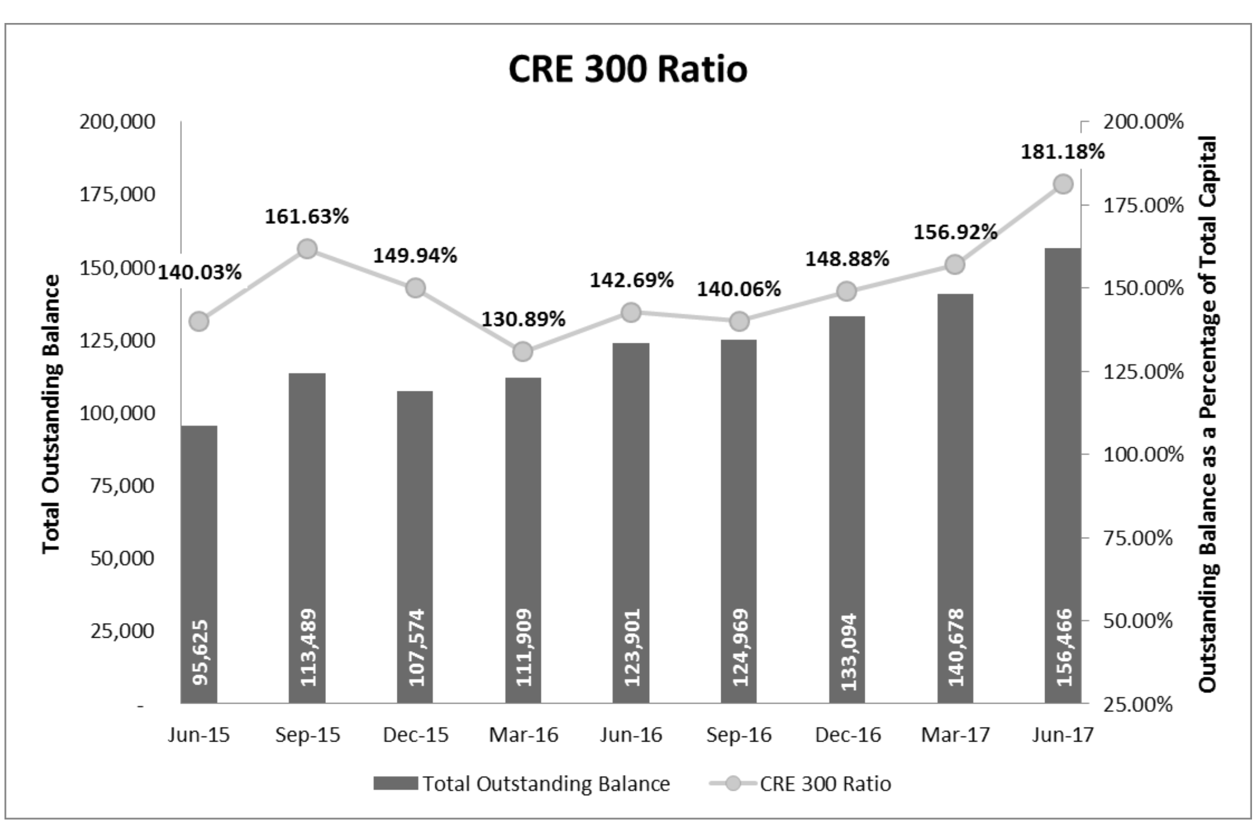
We monitor and track set targets for CRE concentration limits as a percentage of total capital in accordance with interagency guidelines.

The federal regulators have issued the CRE Concentration Guidance on sound risk management practices with respect to a financial institution's concentrations in commercial real estate lending activities. This guidance was designed to promote appropriate levels of capital and sound loan and risk management practices for institutions with a concentration of CRE loans. In general, it establishes the following supervisory criteria as preliminary indications of possible CRE concentration risk: (1) total commercial real estate loans represent 300% or more of its total capital and (2) the outstanding balance of such institution's commercial real estate loan portfolio has increased by 50% or more during the prior 36 months.

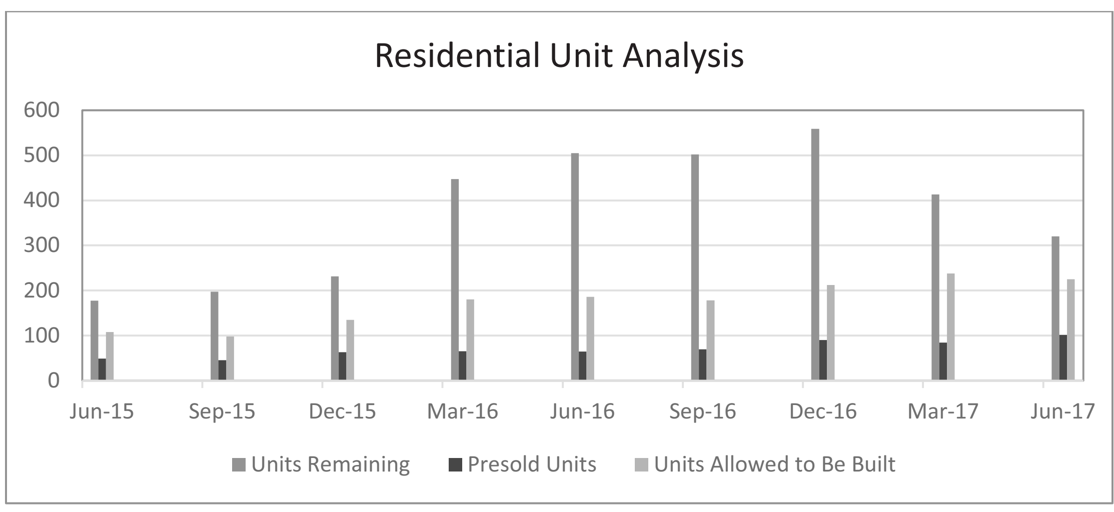
The following graph shows our exposure in the 100% bucket – (with respect to total construction, land development and other land loans) compared to total capital quarterly over the two years ending June 30, 2017 and was 94% at June 30, 2017:



The following graph shows our exposure in the 300% bucket (with respect to total commercial real estate loans) compared to total capital quarterly over the two years ending June 30, 2017 and was 181% at June 30, 2017. At June 30, 2017, the bank had the ability to extend an additional $112.8 million of commercial real estate loans and remain within the 300% limit provided under regulatory guidance.



We further breakdown the risk based on the individual speculative units versus pre-sold units and construction outstanding related to an owner occupied facility under construction. We monitor various stages of construction, including but not limited to, presold unit exposure, units remaining, spec sales, rental absorption and units allowed to build. Of all residential construction property for resale, 42% of principal balances (32% of total exposure) is pre-sold at June 30, 2017. The following graph shows our two-year trend in building units:



Credit Policy and Administration. Meridian prides itself on our credit strength and asset quality. We have developed policies, procedures and processes, which communicate our credit risk appetite to all lending personnel. Our Internal (Management) Credit Committee meets on a weekly basis to review various credit quality reporting as well as to review proposed, new, renewal or amended credits. Via the Credit Policy and related lending policies consistently applied, underwriting standards are followed within each independent lending group, such as commercial and industrial (C&I), CRE, consumer and mortgage. We believe that inadequate asset/credit quality is one of the largest

risks any commercial bank may take, and as such, we work to ensure standards are met from inception of the loan through its final payoff.

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

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

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

Mortgage Lending

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

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

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

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

Investment Portfolio

As of June 30, 2017, the fair value of our investment portfolio totaled $51.9 million, with an effective tax equivalent yield of 2.41% and an estimated duration of approximately 3.76 years. The primary objectives of the investment portfolio are to generate economic value, provide liquidity in accordance with the liquidity regulations and to be responsive to cash needs and assist in managing interest rate risk. The majority of our investment portfolio, or 43.92%, consists of residential mortgage-backed securities, along with 0% in commercial mortgage-backed securities

and 38.84% in municipal securities. The remainder of our securities portfolio is invested in corporate bonds, asset backed securities, trust preferred securities and other securities. We regularly evaluate the composition of our investment portfolio as the interest rate yield curve changes and may sell investment securities from time to time to adjust our exposure to interest rates or to provide liquidity to meet loan demand.

Market Area

Locations. Meridian Bank is headquartered in Malvern and has five full-service branches. Its main branch, in Paoli, serves the Main Line. The West Chester and Media branches serve Chester and Delaware counties, respectively, while the Doylestown and Blue Bell branches serve Bucks and Montgomery counties. An additional branch is scheduled to open in Philadelphia in November 2017. These branches will provide new "Relationship Hubs" for our regional lending groups and allow Meridian to proceed in its plan for serving markets in each of the central (at or near the county seat) townships of the counties in and surrounding Philadelphia. In addition to our deposit taking branches, there are currently 17 other offices, including commercial loan production offices and headquarters for Corporate, the Wealth Division and the Mortgage Division. Other than our corporate headquarters, all of our offices are leased.

Branch locations:

Branch Name	**Address**	**Deposits as of June 30, 2017** *(Dollars in millions)*
Paoli Branch	1176 Lancaster Avenue Paoli, PA 19301	$309.5
West Chester Branch	16 W. Market Street West Chester, PA 19382	$197.1
Media Branch	100 E. State Street Media, PA 19063	$26.6
Doylestown Branch	1719A S. Easton Road Doylestown, PA 18901	$23.8
Blue Bell Branch	653 Skippack Pike, Ste. 116 Blue Bell, PA 19422	$2.4
Philadelphia Branch	1760 Market Street Philadelphia, PA 19103	(*opening November 2017*)

Other offices:

- Corporate Headquarters – 9 Old Lincoln Highway, Malvern, PA 19355
- Mortgage Headquarters – 920 Germanton Pike, Plymouth Meeting, PA 19462
- Meridian Wealth – 1000 Germantown Pike, Plymouth Meeting PA 19462
- Mortgage Loan Production Office – 1601 Concord Pike, Suite 45, Wilmington, DE 19803
- Mortgage Loan Production Office – 5301 Limestone Road, Suite 202, Wilmington, DE 19801
- Mortgage Loan Production Office – 22128 Sussex Highway, Seaford, DE 19973
- Mortgage Loan Production Office – 111 Continental Drive, Suite 406, Newark, DE 19713
- Mortgage Loan Production Office – 1215 Manor Drive, Mechanicsburg, PA 17055

- Mortgage Loan Production Office – 7051 Camphill Road, Fort Washington, PA 19034
- Mortgage Loan Production Office – 350 Highland Drive, Suite 160, Mountville, PA 17554
- Mortgage Loan Production Office – 1000 Crawford Place, Mt. Laurel, NJ 08054
- Mortgage Loan Production Office – 2330 New Road, Northfield, NJ 08225
- Mortgage Loan Production Office – One Neshaminy Interplex, Trevose, PA 19053
- Mortgage Loan Production Office – 1909 Veterans Highway, Levittown, PA 19056
- Mortgage Loan Production Office – 711 Spring Street, Wyomissing, PA 19610
- Mortgage Loan Production Office – 347 2nd Street, Suite 4, Southampton, PA 18966
- Mortgage Loan Production Office – 1221 College Park Drive, Suite 118, Dover, DE 19904
- Commercial Loan Office – 20 Commerce Drive, Wyomissing, PA 19610

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

Housing Market. We believe that the Philadelphia housing market is quite strong compared to national trends. Builders are seeing the potential demand of the next wave of buyers as they reach milestone events (i.e., getting married, starting careers, having children, etc.). As shown in the demographic chart above, the median age of the five county area falls between 34 and 43 years old. Because of this, builders are catering to the next generation of buyers, whether they are a first time buyer or a core buyer looking to be located in a good school district in suburban Philadelphia.

Our Competition

The primary service area, and all of the Delaware Valley, has undergone a major change in the banking structure over the past ten years. The merger activity that has occurred since 2009 when the recession began was significant to financial institutions in terms of retail deposits and small business services. The mergers caused turmoil for many local customers, and created opportunities for other banks to seize deposit and loan market share. The more recent post-recession purchases of larger regional banks have created a similar environment in our market area. When these banks consolidated, customers were affected by new fee structures, branch closings and centralized services that were, in many cases, moved several hundred miles away, often causing them to seek new locally-based institutions to satisfy their banking needs.

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

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

Risk Management

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

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

Enterprise risk management

Overview

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

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

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

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

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

Risk Culture

We strive to encourage and communicate the tone at the top regarding our strong risk culture by giving people the tools and training to identify risk, assess it, evaluate it against the desired level of risk tolerance, and make informed

decisions about suitable risk treatment. We feel that managing risk is the responsibility of all employees and critical to the success of the organization.

Risk Framework

Three Lines of Defense

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

Risk Reporting

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

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

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

Internal Controls

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

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

Risk Categories

Meridian's ERM program and policy envisions broad risk management across the following risk categories:

Credit Risk

Credit risk is the risk that borrowers or counterparties will be unable or unwilling to repay their obligations in accordance with the underlying contractual terms and the risk that credit assets will suffer significant deterioration in market value. This definition, however, encompasses more than the traditional definition associated with lending activities. We manage and control credit risk in our loan and lease portfolio by adhering to well-defined underwriting criteria and account administration standards established by management. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. Any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether recorded on our balance sheet or off the balance sheet, we are exposed to credit risk. Credit risk may also arise where the performance of guarantors is required. In addition, credit risk arises in conjunction with a broad range of non-lending activities, including selecting and purchasing portfolio investments, processing and settling investment transactions with counter-parties and originating ACH transactions.

Written credit policies document underwriting standards, approval levels, exposure limits and other limits or standards deemed necessary and prudent. Portfolio diversification at the obligor, industry and product levels is actively managed to mitigate concentration risk. In addition, credit risk management includes an independent credit review process that assesses compliance with commercial, real estate and consumer credit policies, risk rating standards and other critical credit information. In addition to implementing risk management practices that are based upon established and sound lending practices, we adhere to sound credit principles. We understand and evaluate our customers' borrowing needs and capacity to repay, in conjunction with their character and history.

The Credit Committee of our board of directors provides oversight of our credit risk management function. The Credit Committee oversees the risk appetite, the development of policies, practices and systems for measuring credit risk and monitors the performance and quality of our credit portfolio. At the management level, our Chief Credit Officer leads this process and has primary oversight, ultimately delegating credit approval authority to our credit officers with the approval of the board of directors and Credit Committee. We believe this robust governance system provides for a fulsome credit approval process.

Our credit officers work closely with our Chief Credit Officer and Credit Committee to monitor lending trends, concentrations, regulations and strategies to ensure underwriting guidance is aligned with our credit philosophy. We review our credit policies regularly and any changes must be approved by our board of directors. Our credit team also produces various credit statistics on our loan and lease portfolio reported to our board on a regular basis.

Our bankers are our first line of defense for assuring credit quality and the integrity of our risk rating process. Our bankers must have an understanding of the nature of the borrower's business, operations, competitive position, financial requirements and the nature and value of the underlying collateral. Our credit department serves as a second line of defense and ensures a uniform approach to the assessment and management of credit by formulating processes and guidelines and defining credit standards. Internal loan review is outsourced to a major independent firm and serves as a third line of defense and reports to the audit committee through the Chief Credit Officer. The firm conducts semi-annual onsite reviews. The firm independently selects the sample of loans for review. These credit management practices build and strengthen our banking relationships with our customers while identifying potential issues in a proactive manner to avoid unnecessary risk.

Interest Rate and Market Risk

Interest rate and market risk is the risk to a bank's earnings and value resulting from movements in market rates or prices, such as interest rates, foreign exchange rates or equity prices. This type of risk focuses on the economic scenarios relative to the value of the bank in the current interest rate environment, and the sensitivity of that value to changes in interest rates. Market risk occurs due to: (1) differences between the timing of rate changes and the timing of cash flows (re-pricing risk); (2) changing rate relationships among different yield curves affecting bank activities (basis risk); (3) changing rate relationships across the range of maturities (yield curve risk); and (4) interest-related options, if any, embedded in bank products (options risk).

Valuation of interest rate risk must also consider the potential effect on fee income, which is sensitive to changes in interest rates. Changes in interest rates may have a significant effect on other areas of risk. For example, market risk can impair our liquidity position. It also potentially affects earnings if we are unable to meet our obligations when

they come due without incurring unacceptable losses (i.e., liquidating investments that declined in value due to rising interest rates). This risk may expose us to increased liquidity risk, reputation risk, regulatory action or financial loss.

Our management of interest rate risk is overseen by our Asset and Liability Committee, which is chaired by our Chief Financial Officer based on a risk management infrastructure approved by our board of directors that outlines reporting and measurement requirements. In particular, this infrastructure sets limits and management targets, calculated monthly, for various interest rate-related metrics, including our economic value sensitivity, our economic value of equity and net interest income simulations involving parallel shifts in interest rate curves, steepening and flattening yield curves and various prepayment and deposit duration assumptions. Our interest rate management policies also require a periodic review of all key assumptions used, such as identifying appropriate interest rate scenarios, setting loan prepayment rates and deposit durations based on historical analysis, and the targeted investment term of capital.

Liquidity Risk

Liquidity risk is the risk to earnings or capital that arises from a bank's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. It also arises from our failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. Liquidity risk exposure is present in various funding situations, but primarily deposit and lending activities. Again, interest rate and price risk affect our liquidity position. This type of risk exposes us to regulatory action, financial loss, or damage to our reputation.

Operational and Transactional Risk

We provide or are reliant on outsiders to provide processing activities supporting the delivery of services or products to end customers. Operational risk arises from the potential that inadequate information systems, inefficient or ineffective process design, operational problems, inadequate delivery of outsourced activities, breaches in internal controls, fraud or unforeseen catastrophes will result in unexpected losses. Operational risk includes both transaction and strategic risk. Transaction risk is the risk to earnings or capital arising from problems with service or product delivery and may include potential financial losses from human error or fraud, inappropriate data usage, non-routine or complex transactions, incomplete information, non-compliance with policies and procedures and related decision-making or operational disruption. Transaction risk may exist in all products and services and is a function of the adequacy of internal control and information systems, employee integrity, management policies, and operating processes. This type of risk ultimately affects our ability to establish new relationships or services or to continue servicing existing relationships, and may result in damage to our reputation.

Technology Risk

Technology risk considers the level of use, sophistication, complexity, robustness, ease of use and speed and accuracy of recovery/replacement of systems. It is possible that we have an inadequate technology infrastructure and related technical support to properly process daily transactions, keep customer information private, restrict access to sensitive bank data, provide timely and accurate board and management information for key decision-making and disable the bank in the event of a disaster. There is a potential that critical systems are unstable or unavailable, threatening the delivery of operations and processes. There are risks of natural disasters, catastrophic events, or terrorist attacks that significantly impact our ability to sustain activities. Since technology is constantly changing, risk exposure requires continuous monitoring by management.

Compliance and Legal Risk

As with all community banks, Meridian Bank's directors, management, and staff must operate in compliance with a myriad of laws, rules and regulations. Compliance risk arises from violations of or nonconformance with those laws, regulations, or prescribed practices which govern our activities. Legal risk arises from the potential that unenforceable contracts, lawsuits, or adverse judgments can disrupt or otherwise negatively affect the operations or condition of a banking organization. Legal risk also arises from violations of or nonconformance with laws, regulations, prescribed practices or industry standards, or ethical standards. Compliance and legal risks may potentially subject the bank and its directors and officers to fines, civil money penalties or restrictions on activities imposed by regulators and result in

lawsuits by customers and others. Exposure to compliance and legal risks can also dramatically affect our reputation, strategic alternatives, and operations.

Reputation Risk

Reputation risk is the potential that negative publicity regarding a bank's business practices will cause a decline in the customer base, costly litigation, or revenue reductions, often as a result of poor earnings, regulatory censure, significant fraud or litigation and failure to provide services or products in conformity to the local market. This type of risk affects our ability to establish new relationships or services or to continue servicing existing relationships. Reputation risk exposure is present throughout the bank and is driven to a large extent by our actions to manage compliance, strategic, credit, interest rate and other risks.

Strategic Risk

Strategic risk is the risk that certain business decisions made today may have a negative impact on earnings in the future. Strategic risk can result from the miscommunication or improper implementation of strategic decisions. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed to support achievement of those goals, and the quality of implementation. Strategic risk includes ineffective organizational structure, lack of appropriate governance, misalignment of business and technology strategic plans, or improper market positioning (e.g., retail delivery strategies, geographic positioning, etc.) and pricing of products and services. Strategic risk is managed by appropriate organizational governance. Failure to adequately plan and execute against organizational goals may result in significant damage to our reputation.

The following categories are generally addressed within the primary risk categories noted above from a reporting perspective:

Financial Reporting Risk

The risk that our financial reporting is inaccurate, incomplete or untimely due to a variety of factors, including the pace of change, the amount of uncertainty, the presence of a large error, or the pressure on management to meet investor expectations. This includes risk that our board of directors and management will be unable to meet financial goals and be pressured by investor expectations or other market forces to take unwise or inappropriate actions to report results which meet market expectations. Materiality is a key factor affecting this risk. The nature and magnitude of financial reporting errors is, therefore, a consideration. Volatility in financial results due to rapid changes in our business and the presence of significant estimates (accruals, adjustments or reserves that are subjective and difficult to accurately quantify and/or associate with the occurrence of business events) could cause financial results to be significantly misstated.

People/Culture Risk

This risk addresses cultural factors in the bank such as the ethical tone of the board of directors and management, the type of behaviors encouraged by and methods of reward used in its incentive systems and the approach to and consistency of enforcement of policies and procedures in the bank. We may be unable to attract, train and retain individuals with this focus. The selection, screening and training of our employees, the complexity of the learning curve to perform the unit's work and the nature and pace of turnover are key factors in this risk. A lack of clear roles and responsibilities, deficient values, integrity and ethics could compromise employee performance, and hence, our success. Insufficient performance incentives or incentives that are unrealistic or misunderstood could cause employees to act in an inappropriate manner. The length, consistency and nature of business relationships with vendors and customers, including the handling of sensitive or confidential information and the risk that business interruption, would seriously impact those relationships is considered.

Fraud Risk

This risk addresses the structure of business activities and transaction processing and the business unit's susceptibility to both internal and external fraud. The likelihood and ease of inappropriate management or officer override as well as the timeliness, accuracy and completeness of fraud protection and monitoring activities should be considered. The

nature (liquidity, value and access) of the products and assets of the business is critical to the assessment of fraud risk. Additionally, fraud risk incorporates intentional misstatement of financial reporting regardless of whether assets or products are misappropriated. Fraudulent financial reporting, misappropriation of assets, expenditures and liabilities for improper purposes, fraudulently obtained revenue and assets, and costs and expenses avoided, internal fraud , external crime and external fraud can be managed through an effective system of control activities.

Our enhanced due diligence policy is fundamental to our Bank Secrecy Act ("BSA")/Anti-Money Laundering ("AML") compliance program. The goal of our Enhanced Due Diligence policy and program is to develop and maintain an awareness of the unique financial details of our customers and the ability to predict the type and frequency of transactions in which our customers are likely to engage. In doing so, we can better identify, research and report suspicious activity as required by BSA regulations. The BSA Officer/Senior Compliance Officer/Compliance Committee/Community Reinvestment Act Committee assists the board of directors in discharging its responsibility to ensure we maintain an effective BSA/AML control structure. Our BSA policy and program includes annual BSA/AML and Office of Foreign Assets Control risk assessments.

Credit and Related Lending Policies

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

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

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

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

Policies and Procedures

We promote a culture of compliance that starts at the top of our organization and emphasizes standards of honesty and integrity. Our Policy Committee reviews and approves management-level policies and recommends to the board of directors approval of the board-level policies. Our risk management culture is further supported by a Procedure Committee that monitors our procedures and forms for compliance with the policies approved by the board and the Policy Committee. We also have a whistleblower process to allow for independent reporting of any related issues.

Legal and Regulatory Proceedings

We operate in a highly regulated environment. From time to time we are a party to various litigation matters incidental to the conduct of our business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

Recent Litigation

On October 31, 2017, two former employees of the mortgage-banking division of the bank filed suit in the Philadelphia Court of Common Pleas, *Weissenberg et. al. v. Meridian Bank*, against the bank seeking unpaid commissions pursuant to a breach of contract claim and liquidated damages under the Pennsylvania Wage Payment and Collection Law. The aggregate amount of such damages set forth in the complaint is approximately $325,000. The plaintiffs are also seeking reimbursement for their attorneys' fees and costs. The bank believes it has valid counterclaims and defenses and intends to defend the matter. However, given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, success on the merits, the bank cannot estimate the reasonably possible loss or range of loss that may result from this action. Additionally, the bank's estimate may change from time to time, and actual losses could vary.

SUPERVISION AND REGULATION

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

Regulatory Agencies

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

Permissible Activities for Bank Holding Companies

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

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

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

Permissible Activities for Banks

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

The FDIC has adopted regulations pertaining to the other activity restrictions imposed upon insured state banks and their subsidiaries. Pursuant to such regulations, insured state banks engaging in impermissible activities may seek approval from the FDIC to continue such activities. State banks not engaging in such activities but that desire to engage in otherwise impermissible activities either directly or through a subsidiary may apply for approval from the FDIC to do so; however, if such bank fails to meet the minimum capital requirements or the activities present a

significant risk to the Deposit Insurance Fund, such application will not be approved by the FDIC. Pursuant to this authority, the FDIC has determined that investments in certain majority-owned subsidiaries of insured state banks do not represent a significant risk to the deposit insurance funds. Investments permitted under that authority include real estate activities and securities activities.

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

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

Acquisitions by Bank Holding Companies

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

Dividends

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

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

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

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

Parity Regulation

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

Transactions with Affiliates and Insiders

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

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

Source of Strength

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

agency to maintain the capital of the bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Regulatory Capital Requirements

The Federal Reserve monitors the capital adequacy of the holding company on a consolidated basis, and the FDIC and the PDBS monitor the capital adequacy of the bank. The banking regulators use a combination of risk-based guidelines and a leverage ratio to evaluate capital adequacy. The risk-based capital guidelines applicable to us are based on the Basel Committee's December 2010 final capital framework, known as Basel III, as implemented by the federal banking regulators. The risk-based guidelines are intended to make regulatory capital requirements sensitive to differences in credit and market risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. However, in May 2015, amendments to the Federal Reserve's small bank holding company policy statement (the "SBHC Policy") became effective which increased the asset threshold to qualify to utilize the provisions of the SBHC Policy from $500 million to $1.0 billion. Bank holding companies which are subject to the SBHC Policy are not subject to compliance with the regulatory capital requirements set forth in the discussion below until they exceed $1.0 billion in assets. As a consequence, if the holding company was in existence as of the date hereof, the holding company would not be required to comply with the requirements set forth below until such time that its consolidated total assets exceed $1.0 billion or the Federal Reserve were to determine that the holding company is no longer deemed to be a small bank holding company.

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

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

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

When fully phased-in, the Capital Rules will require us to maintain an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios of (i) 7% CET1 to risk-weighted assets, (ii) 8.5% Tier 1 capital to risk-weighted assets, (iii) 10.5% total capital to risk-weighted assets and (iv) a minimum leverage ratio of 4%.

The Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Implementation of the deductions and other adjustments to CET1 began on January 1, 2015 and will be phased in over a four-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The Capital Rules also generally preclude certain hybrid securities, such as trust preferred securities, from being counted as Tier 1 capital for most bank holding companies. Bank holding companies who had less than $15 billion in assets as of December 31, 2009 (and who continue to have less than $15 billion in assets) are permitted to include qualifying trust preferred securities issued prior to May 19, 2010 as Additional Tier 1 capital under the Capital Rules, however.

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

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

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

Liquidity Regulations

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

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

Prompt Corrective Action Framework

The FDIA also requires the federal banking regulators to take prompt corrective action in respect of depository institutions that fail to meet specified capital requirements. The FDIA establishes five capital categories ("well-capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized" and "critically undercapitalized"), and the federal banking regulators are required to take certain mandatory supervisory actions, and

are authorized to take other discretionary actions, with respect to institutions that are undercapitalized, significantly undercapitalized or critically undercapitalized. The severity of these mandatory and discretionary supervisory actions depends upon the capital category in which the institution is placed. The relevant capital measures, which reflect changes under the Capital Rules that became effective on January 1, 2015, are the total capital ratio, the CET1 capital ratio, the Tier 1 capital ratio and the leverage ratio.

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

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

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

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

Safety and Soundness Standards

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

Deposit Insurance

FDIC insurance assessments

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

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

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

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

Other assessments

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

The Volcker Rule

The Dodd-Frank Act, pursuant to a statutory provision commonly called the "Volcker Rule", prohibits banks and their affiliates from engaging in proprietary trading and investing in and sponsoring hedge funds and private equity funds. The Volcker Rule, which became effective in July 2015, does not significantly affect the operations of Meridian and its subsidiaries, as we do not have any significant engagement in the businesses prohibited by the Volcker Rule.

Depositor Preference

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

Interstate Branching

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

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

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

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

Consumer Financial Protection

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

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

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

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

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

Federal Home Loan Bank Membership

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

Ability-To-Pay Rules and Qualified Mortgages

As required by the Dodd-Frank Act, the CFPB issued a series of final rules in January 2013 amending Regulation Z, implementing TILA, which requires mortgage lenders to make a reasonable and good faith determination, based on

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

Commercial Real Estate Guidance

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

Leveraged Lending Guidance

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

Community Reinvestment Act of 1977

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

Financial Privacy

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

Anti-Money Laundering and the USA PATRIOT ACT

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

Office of Foreign Assets Control Regulation

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

Incentive Compensation

The Federal Reserve will review, as part of the regular, risk-focused examination process once the holding company formation is completed, the incentive compensation arrangements of banking organizations, such as us, that are not "large, complex banking organizations." These reviews will be tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

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

and (3) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

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

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

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

Cybersecurity

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

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

Future Legislation and Regulation

Congress may enact legislation from time to time that affects the regulation of the financial services industry, and state legislatures may enact legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their

regulations or change the manner in which existing regulations are applied. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of the proposed legislation could affect the regulatory structure under which we operate and may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital or modify our business strategy, or limit our ability to pursue business opportunities in an efficient manner. Our business, financial condition, results of operations or prospects may be adversely affected, perhaps materially, as a result.

MANAGEMENT

Executive Officers

Christopher J. Annas (61) - Mr. Annas has been the founder, Chairman, President and CEO of the bank since its opening in 2004. Prior to starting Meridian, Mr. Annas has held executive positions with various community banks in the Delaware Valley since 1986. Mr. Annas has over 30 years of banking experience in various commercial lending capacities. Mr. Annas currently serves on the Foundation Board of Paoli Hospital and on the Community Bank Council of the American Bankers Association. He is a former Board member of the Chester County Chamber of Business and Industry and former Board member of the Peoples Light and Theatre. In 2016, Mr. Annas was named one of the Most Admired CEOs by Philadelphia Business Journal. Mr. Annas brings to the board additional qualifications, including his experience as a CEO in the banking industry, his knowledge of and history with the bank, and his expertise in planning and execution, leadership and management, and new business development.

Denise Lindsay (50) – Ms. Lindsay is the Executive Vice President and Chief Financial Officer of the bank. Ms. Lindsay is responsible for asset-liability management, treasury, financial reporting and budgeting. She also oversees compliance and risk management. Before joining the bank, Ms. Lindsay was the Vice President and Controller of DNB First, a publically-held community bank in Downingtown, PA. Prior to that time, she was a Senior Accountant for KPMG, LLP. Ms. Lindsay serves as the Vice Chairman of the Board of Advisors for the Upper Main Line YMCA and recently received their Volunteer of the Year award for Mission Advancement. She also served on the Member Advisory Board of the Federal Home Loan Bank – Philadelphia region. Ms. Lindsay has 25 years' experience in bank financial management, is a Certified Public Accountant and a member of the Financial Managers Society and PICPA. In 2016, Ms. Lindsay was recognized by the Philadelphia Business Journal as one of the 'Women to Watch in Banking". Ms. Lindsay brings to the board additional qualifications, including her industry knowledge gained through her prior employment in a business related to banking, her financial background, and her experience in corporate governance from her past service on several boards of directors.

Charles D. Kochka (60) – Mr. Kochka is the Executive Vice President and Chief Lending Officer of the bank. Since January 2017, Mr. Kochka has been responsible for all of commercial and consumer lending in the bank. Mr. Kochka started at Meridian Bank in 2010 and has more than 38 years' experience in commercial lending in the Delaware Valley and worked with Mr. Annas for 3 years prior to Meridian. He graduated from Bucknell University in 1978 with a Bachelor of Arts degree in Economics. He currently volunteers for Seedcopa, where he sits on the Board of Directors, Executive Committee and Loan Review Committee, and for the United Way of Chester County, where he is currently the Board Chair. He has also served as the Board Chair of the West Chester YMCA, and in 2015 was awarded the Gary R. Green Community Impact Award by the YMCA of Greater Brandywine. In 2011 he was voted a "Best Banker" in the Delaware Valley in a Smart CEO Magazine Readers poll.

Joseph L. Cafarchio (60) – Mr. Cafarchio is the Executive Vice President and Chief Credit Officer of the bank. He was our Chief Lending Officer from our inception in 2004 until January 2017. Mr. Cafarchio is responsible for all aspects of credit underwriting and administration. Prior to joining the bank, he spent four years at the Federal Reserve Bank of Philadelphia and has 30 years in Commercial Lending in the Philadelphia area. He graduated cum laude from the University of Pennsylvania in 1983 with a Bachelor of Business Administration. He is a former Board member of the West Chester Area YMCA and was Charter President of the Exton Exchange Club. Mr. Cafarchio also volunteers for various charities and music fundraisers.

Non-Employee Directors

Our board of directors consists of eight members, including our Chief Executive Officer and Chief Financial Officer. We expect all of our directors to continue to serve on our board of directors following the completion of this offering.

Robert M. Casciato (65) – Mr. Casciato is a founding partner of Alliance Environmental Systems, Inc., a West Chester company that was established in 1994. Alliance Environmental provides environmental remediation, selective demolition, structural demolition and asbestos abatement in the Mid-Atlantic region. Alliance was named Business of the Year in 2003 by the Chamber of Commerce of Greater West Chester. Mr. Casciato is also a partner in the RMC/SDI Real Estate Partnership, located in West Chester, specializing in brownfields redevelopment in Chester County. Mr. Casciato is the past Treasurer of the French and Pickering Creeks Conservation Trust. Mr. Casciato was

a founding director of the bank and brings to the board additional qualifications, including his experience as a successful local businessman with close ties to the community, his knowledge of and history with the bank and his expertise in the local real estate industry.

George C. Collier (70) - Mr. Collier is the Executive Vice President & Chief Financial Officer of Streamlight, Inc., a leading manufacturer of high-performance lighting equipment for professional fire fighting, law enforcement, industrial and outdoor applications. Mr. Collier is active in the National Fallen Firefighters and Concerns of Police Survivors (COPS) organizations, which are national support groups for survivors of firefighters and policemen that have died on the job. Mr. Collier was a founding director of the bank and brings to the board additional qualifications, including his financial background, his work experience, and his knowledge of and history with the bank.

Robert T. Holland (68) - Mr. Holland is our Lead Independent Director. He is the Principal of the Holland Advisory Group, LLC a management consulting firm and is a Group Chair with Vistage International, a CEO mentoring and coaching organization. Mr. Holland founded c.p. Allstar Corporation, a manufacturer of garage door and gate openers and remote radio control devices in 1997 and sold the business in 2007. Prior to starting c.p. Allstar Corporation, Mr. Holland was the Chief Financial Officer of a publicly traded diversified manufacturing company for seven years. Prior to that time, Mr. Holland was a managing partner in MacDade Abbott & Co., a regional accounting firm headquartered in Paoli, PA, for 15 years. Mr. Holland serves on the West Goshen Planning Commission, the West Goshen Pension Board as well as board positions for several not for profit and charitable organizations. He was recently recognized as an Outstanding Director by the Philadelphia Business Journal. Mr. Holland is a Certified Public Accountant and member of the AICPA and PICPA. Mr. Holland brings to the board additional qualifications, including his financial background and his public company knowledge, including knowledge gained from his experience from his past employment with a public company.

Edward J. Hollin (63) – Mr. Hollin is shareholder, member of the executive committee and chief operating officer of Riley Riper Hollin & Colagreco, a suburban Philadelphia law firm headquartered in Exton, Pennsylvania. Founded in 1984, Riley Riper Hollin & Colagreco focuses its practice on real estate, commercial transactions, litigation, labor law and estate and business planning, representing some of the largest homebuilders and commercial real estate developers in the country, as well as a variety of financial institutions and entrepreneurs. Mr. Hollin serves on boards and committees of several local organizations, including the Delaware Valley Chapter of the Cystic Fibrosis Foundation, and is solicitor for and a member of the executive committee of South Eastern Economic Development Company of Pennsylvania, a non-profit SBA certified development company. Mr. Hollin brings to the board additional qualifications, including his career as an attorney with a regional law firm and his substantial experience in advising companies, as well as his experience in assisting businesses with a wide variety of legal and regulatory issues.

Anthony M. Imbesi (43) – Mr. Imbesi is Vice President of Patriarch Management, a private real estate investment firm which owns, manages, and develops commercial real estate. He also is a member of the Drexel Lebow School Finance Advisory Council. In addition, Mr. Imbesi is a trustee for the Patriarch Family Foundation, which supports education, health, and well being in the Delaware Valley. Mr. Imbesi is a graduate of Villanova University and received his MBA from Drexel University. Mr. Imbesi brings to the board additional qualifications, including his financial background, his substantial experience in local real estate, and his experience in corporate governance from his service on several advisory boards.

Kenneth H. Slack (75) - Mr. Slack is a Partner in Stephano Slack LLC, a public accounting firm that provides both local and international clients with financial reporting, tax and business advisory services. Mr. Slack has been in public accounting in the West Chester area for more than 30 years. Prior to that, he worked many years in the manufacturing and distribution industries as a senior financial executive in Pennsylvania and Florida. Mr. Slack currently serves on several local boards including the Chester County Hospital and The Foundation Board of the Chester County Chamber of Business & Industry, and previously on the Delaware County Attorney-CPA Forum, Camp Cadet of Chester County, and the United Way of Chester County, where he was a past Treasurer. He is a member of the AICPA, PICPA and FICPA. Mr. Slack brings to the board additional qualifications, including his financial background, his experience in corporate governance from service on several boards of directors, and his qualification as a Certified Public Accountant.

Composition of Our Board of Directors

Our board of directors has eight members. Under our articles of incorporation, the number of directors constituting our board of directors will be fixed from time to time by resolution of our board of directors. Each of our directors is currently elected for a three-year term, with roughly one-third of our board of directors up for election at each annual meeting of shareholders.

Board Leadership Structure and Qualifications

We believe that our directors should have the highest professional and personal ethics and values, consistent with our longstanding values and standards. They should have broad experience at the policy-making level in business, government or banking. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Each director must represent the interests of all shareholders. When considering potential director candidates, our board of directors considers the candidate's character, judgment, diversity, skills, including financial literacy, and experience in the context of our needs and those of the board of directors. Our board also considers the candidate's service on boards of other companies and whether such service would impair the candidate's ability to perform responsibly all director duties for Meridian.

Our board of directors does not have a formal policy requiring the separation of the roles of Chief Executive Officer and Chairman of the Board. It is the board of directors' view that rather than having a rigid policy, the board of directors, with the advice and assistance of the governance and nominating committee, and upon consideration of all relevant factors and circumstances, will determine, as and when appropriate, whether the two offices should be separate. Currently, our leadership structure combines the offices of Chief Executive Officer and Chairman of the Board, with Mr. Annas serving as Chairman of the Board and as our Chief Executive Officer.

Director Independence

Under the rules of Nasdaq, independent directors must comprise a majority of our board of directors not later than the first anniversary date of this offering. The rules of Nasdaq, as well as those of the SEC, impose several requirements with respect to the independence of our directors. Our board of directors has undertaken a review of the independence of each director in accordance with these rules. Based on information provided by each director concerning his background, employment and affiliations, our board of directors has determined that Robert M. Casciato, George C. Collier, Robert T. Holland, Edward J. Hollin, Anthony M. Imbesi and Kenneth H. Slack do not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our shares by each non-employee director.

Committees of Our Board of Directors

The standing committees of our board of directors consist of an audit committee, a compensation committee, and a risk committee. The board intends to form a governance and nominating committee following the completion of this offering. The responsibilities of these committees are described below. Our board of directors may also establish such other committees as it deems appropriate, in accordance with applicable law and regulations and our corporate governance documents.

The board of directors is currently led by Christopher Annas, who serves as Chairman and CEO, and by Robert T. Holland, who serves as the board's Lead Independent Director. All independent directors meet in Executive Session after each regularly scheduled Board of Directors meeting. Independent board committees consist of loan, audit, and compensation, and will include the nominating committee following completion of the offering.

The Lead Independent Director is appointed for a term of one year and, in consultation with the other independent directors, is responsible for:

- providing the Chairman with input regarding the agendas and materials for the Board meetings;
- meeting with the Chairman and independent directors as appropriate;
- chairing all Board meetings at which the Chairman is not present, including executive sessions of the independent directors;
- calling meetings of the independent directors as appropriate;
- serving as an unofficial member of all Board committees of which he is not a member; and
- performing such other duties that the Board may from time to time delegate.

The members of the loan committee are: Christopher Annas, Joseph Cafarchio, Robert Casciato, Robert Holland, Edward Hollin, and Kenneth Slack. Mr. Casciato is Chair of the committee. During 2016, the committee met twelve times.

The risk management committee is comprised of Christopher Annas, Denise Lindsay, Joseph Cafarchio, as well as all of the independent directors. Ms. Lindsay is Chair of the committee. During 2016, the committee met four times.

The members of the compensation committee are: George Collier, Robert Holland and Kenneth H. Slack. Mr. Collier is Chair of the committee. During 2016, the committee met two times.

The members of the audit committee are: Robert Holland, Anthony Imbesi and Kenneth Slack. Mr. Slack is Chair of the committee. During 2016, the committee met 10 times.

During 2016, the Board met 13 times.

Audit committee. The audit committee assists the board of directors in fulfilling its responsibilities for general oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, the performance of our internal audit function and independent auditors and risk assessment and risk management. Among other things, upon completion of this offering, the audit committee will:

- annually review the audit committee charter and the committee's performance;
- appoint, evaluate and determine the compensation of our independent auditors;
- review and approve the scope of the annual audit, the audit fee, the financial statements, significant accounting policy changes, material weaknesses identified by outside auditors or the internal audit function and risk management issues;
- prepare the audit committee report for inclusion in our proxy statement for our annual meeting;
- review disclosure controls and procedures, internal controls, internal audit function and corporate policies with respect to financial information;
- assist the board of directors in monitoring our compliance with applicable legal and regulatory requirements;
- oversee investigations into complaints concerning financial matters, if any; and
- review other risks that may have a significant impact on our financial statements.

The audit committee works closely with management as well as our independent auditors. The audit committee has the authority to obtain advice and assistance from, and receive appropriate funding to engage outside legal, accounting or other advisors as the audit committee deems necessary to carry out its duties. The audit committee has adopted a written charter that among other things, specifies the scope of its rights and responsibilities. The charter is available on our website at www.Meridianbanker.com.

The audit committee is composed solely of members who satisfy the applicable independence, financial literacy and other requirements of Nasdaq for audit committees, and at least one of its members, following the completion of the offering, will be designated an "audit committee financial expert". Each member of the audit committee also qualifies as an independent director under the independence requirements of Rule 10A-3 of the Exchange Act.

Compensation committee. The compensation committee is responsible for discharging the board's responsibilities relating to compensation of our executive officers and directors. Among other things, upon completion of this offering, the compensation committee will:

- evaluate human resources and compensation strategies;
- review and approve objectives relevant to executive officer compensation;
- evaluate performance and determine the compensation of the Chief Executive Officer in accordance with those objectives;
- approve any changes to non-equity-based benefit plans involving a material financial commitment;
- recommend to the board of directors compensation for directors;
- prepare the compensation committee report required by SEC rules to be included in our annual report; and
- evaluate performance in relation to the compensation committee charter.

The compensation committee has adopted a written charter that among other things, specifies the scope of its rights and responsibilities. The charter is available on our website at www.Meridianbanker.com. The compensation committee is composed solely of members who satisfy the applicable independence requirements of Nasdaq for compensation committees.

Governance and nominating committee. The governance and nominating committee will be responsible for making recommendations to our board of directors regarding candidates for directorships and the size and composition of our board of directors. In addition, the governance and nominating committee will be responsible for overseeing our corporate governance guidelines and reporting and making recommendations to our board of directors concerning governance matters. Among other things, the governance and nominating committee will:

- identify individuals qualified to be directors consistent with the criteria approved by the board of directors, subject to any waivers granted by the board, and recommend director nominees to the full board of directors;
- ensure that the audit and compensation committees have the benefit of qualified "independent" directors;
- oversee management continuity planning;
- lead the board of directors in its annual performance review; and
- take a leadership role in shaping the corporate governance of our organization.

Upon completion of the offering, the governance and nominating committee will be composed solely of members who satisfy the applicable independence requirements of Nasdaq for governance and nominating committees. The governance and nominating committee will adopt a written charter that among other things, will specify the scope of its rights and responsibilities. The charter will be made available on our website at www.Meridianbanker.com.

Risk committee. The risk committee is responsible for overseeing our enterprise-risk management policies, commensurate with our capital structure, risk profile, complexity, size and other risk-related factors:

- monitor our overall risk profile and review risk management policies;
- monitor our process to identify, assess and manage risks that could prevent us from achieving our business objectives;
- oversee actions relating to interest rate risk and liquidity risks;
- oversee actions relating to the activities of our enterprise risk management oversight groups; and
- facilitate communication among management, the board of directors and our enterprise risk management oversight groups.

The risk committee has adopted a written charter that specifies among other things, the scope of its rights and responsibilities.

Board Oversight of Risk Management

Our board of directors believes that effective risk management and control processes are critical to our safety and soundness, our ability to predict and manage the challenges that we face and, ultimately, our long-term corporate success. Our board of directors, both directly and through its committees, is responsible for overseeing our risk management processes, with each of the committees of our board of directors assuming a different and important role in overseeing the management of the risks we face.

The risk committee of our board of directors oversees our enterprise-wide risk management framework, which establishes our overall risk appetite and risk management strategy and enables our management to understand, manage and report on the risks we face. Our risk committee also reviews and oversees policies and practices established by management to identify, assess, measure and manage key risks we face, including the risk appetite metrics developed by management and approved by our board of directors. The audit committee of our board of directors is responsible for overseeing risks associated with financial matters (particularly financial reporting, accounting practices and policies, disclosure controls and procedures and internal control over financial reporting) and engaging as appropriate with our risk committee to assess our enterprise-wide risk framework. The compensation committee of our board of directors has primary responsibility for risks and exposures associated with our compensation policies, plans and practices, regarding both executive compensation and the compensation structure generally. In particular, our compensation committee, in conjunction with our President and Chief Executive Officer and Director of Human Resources and other members of our management as appropriate, reviews our incentive compensation arrangements to ensure these programs are consistent with applicable laws and regulations, including safety and soundness requirements, and do not encourage imprudent or excessive risk-taking by our employees. The governance and nominating committee to be formed by our board of directors will oversee risks associated with the independence of our board of directors and potential conflicts of interest.

Our senior management is responsible for implementing and reporting to our board of directors regarding our risk management processes, including by assessing and managing the risks we face, including strategic, operational, regulatory, investment and execution risks, on a day-to-day basis. Our senior management is also responsible for creating and recommending to our board of directors for approval appropriate risk appetite metrics reflecting the aggregate levels and types of risk we are willing to accept in connection with the operation of our business and pursuit of our business objectives.

The role of our board of directors in our risk oversight is consistent with our leadership structure, with our President and Chief Executive Officer and the other members of senior management having responsibility for assessing and managing our risk exposure, and our board of directors and its committees providing oversight in connection with those efforts. We believe this division of risk management responsibilities presents a consistent, systemic and effective approach for identifying, managing and mitigating risks throughout our operations.

Compensation Committee Interlocks and Insider Participation

Upon completion of this offering, none of the members of our compensation committee will be or will have been an officer or employee of Meridian or any of its subsidiaries. In addition, none of our executive officers serve or have served as a member of the board of directors, compensation committee or other board committee performing equivalent functions of any entity that has one or more executive officers serving as one of our directors or on our compensation committee.

Code of Business Conduct and Ethics

Our board of directors will adopt a code of business conduct and ethics (the "Code of Ethics") that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer and persons performing similar functions. The Code of Ethics will be available upon written request to Corporate Secretary, Meridian Bank, Nine Old Lincoln Highway, Malvern, Pennsylvania 19355 and on our website at www.Meridianbanker.com. If we amend or grant any waiver from a provision of our Code of Ethics that applies to our executive officers, we will publicly disclose such amendment or waiver on our website and as required by applicable law, including by filing a Current Report on Form 8-K.

EXECUTIVE AND DIRECTOR COMPENSATION

Summary Compensation Table

The following table sets forth for each of Meridian's executive officers: the dollar value of base salary and bonus earned during the year ended December 31, 2016; the value of stock compensation awarded during the year; all other compensation for the year; and the dollar value of total compensation for the year.

2016 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Option Awards(1)	All Other Compensation (2)	Total
Christopher Annas - Chairman, President and CEO of Meridian	2016	$375,000	$135,000	$26,877	$122,119	$658,996
Denise Lindsay – Chief Financial Officer and EVP of Meridian	2016	$206,875	$60,000	$10,079	$41,027	$317,981
Joseph Cafarchio – Chief Credit Officer and EVP of Meridian	2016	$185,000	$40,000	$4,314	$44,360	$273,674

(1) As required by SEC rules, the amounts in this column represent the aggregate grant date fair values of stock option awards computed in accordance with ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"). The recipient has not presently realized a financial benefit from these awards because none of the stock options granted during 2016 are currently exercisable. For information on the valuation assumptions used in these computations, see Note 14 to our consolidated financial statements for the year ended December 31, 2016.

(2) See below for a description of the amounts that we paid as set forth in this column.

The following table sets forth for each of our executive officers summary information relating to all other compensation paid to them for 2016.

2016 ALL OTHER COMPENSATION TABLE

Name	Year	Perquisites & Other Personal Benefits ($)	Insurance Premiums ($)	Company 401(k)/ESOP/SERP Contributions ($)	Total ($)
Christopher Annas	2016	24,840	25,354	71,925	122,119
Denise Lindsay	2016	-	20,342	20,685	41,027
Joseph Cafarchio	2016	-	17,031	27,329	44,360

The following table sets forth information on outstanding options held by the named executive officers at December 31, 2016, including the number of shares underlying each stock option as well as the exercise price and the expiration date of each outstanding option.

2016 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date
Christopher Annas	15,750 3,937 5,250	5,250 3,938 15,750	$12.38 $14.29 $15.24	7/31/24 9/30/25 6/15/26
Denise Lindsay	7,717 1,968	- 5,907	$11.79 $15.24	4/1/23 3/4/26
Joseph Cafarchio	4,410 1,050	- 1,050	$11.79 $15.24	4/1/23 3/4/26

Narrative Disclosure to Summary Compensation Table

The key components of our compensation program are base salary, discretionary incentive awards and long-term incentives. In addition to those key components, we also provide additional components of compensation. The nature of each of these benefits and our goals and reasons in granting them are discussed further below.

In determining CEO's compensation levels for all of these components, the compensation committee uses its judgment and considers qualitative and quantitative factors. In setting levels of each component, the compensation committee considers factors such as: relevant industry compensation practices; the importance of the executive's position to us compared to other executive positions; and the competitiveness of the compensation we pay the executive in comparison to other financial institutions in our peer group.

Base salary

Meridian establishes base salaries for executive officers according to the scope of their responsibilities. It also considers compensation paid by our competitors for similar positions. For the Chief Executive Officer, the compensation committee considers the executive's performance, the executive's experience, and Meridian's financial

performance. The compensation committee also considers the economic conditions and other external events affecting operations and compares compensation practices with those of our competitors.

Discretionary Incentive Awards

Meridian provides discretionary bonuses to our executives and other employees to support and promote the pursuit of our organizational objective and financial goals. This practice permits senior executives and other employees to receive more compensation if the individual meets certain pre-established financial and non-financial performance goals for the year. The performance goals for executives are consistent with our Strategic Plan and Annual Budget and our performance in relation to those plans. Bonuses are paid for achieving our annual financial goals at corporate and business unit levels and for achieving measurable individual annual performance objectives. The compensation committee establishes incentive awards for the Chief Executive Officer. The incentive awards for each officer below the CEO level are established by the CEO.

Long-Term Incentive Program

The final major component of the executive compensation program is long-term incentive compensation such as stock options, restricted stock awards and retirement plans. We believe that a significant portion of executive compensation should be based on value created for our shareholders. We hope that long-term incentives will offer executives the possibility of future value depending on the long-term price appreciation of our common stock and the executives' continuing service with us. We believe that long-term performance is achieved through an ownership culture that encourages long-term performance by our executive officers through the use of stock-based awards.

Meridian Stock Option Plan

The bank maintains a stock option plan, which was adopted in 2016, that is administered by the compensation committee. Within the limits of the plan, the compensation committee has the authority to determine the employees or non-employee directors to whom stock options shall be granted; the time or times at which stock options shall be granted; the amount and form of any stock options, including whether any stock option is structured to be an incentive stock option (ISO); any options granted which fail to satisfy the requirements for incentive stock options shall become nonqualified stock options. In making their determinations, the compensation committee may take into account the nature of the services rendered by the employees or non-employee director, their present and potential contributions to our success and other factors that the compensation committee deems relevant.

The compensation committee, without further action on the part of our shareholders, may from time to time alter, amend or suspend the Plan, or may at any time terminate the Plan, except that it may not, without the approval of the shareholders of the bank, materially increase the total number of shares of Common Stock available for grant under the Plan; materially modify the class of eligible or non-employee director who is subject to the restrictions of Section 16 of the Securities Exchange Act of 1934; or effect a change relating to an ISO granted which is inconsistent with Section 422 of the Internal Revenue Code. No action taken by the compensation committee either with or without the approval of the shareholders of the bank, may materially and adversely affect any outstanding stock option without the consent of the optionee.

Retirement Plan

Supplemental Executive Retirement Deferred Compensation Plan. In February 2008, the board of directors approved a Supplemental Executive Retirement Deferred Compensation Plan (Plan) for its senior officers, effective January 1, 2009. The Plan is a non-qualified executive deferred compensation arrangement which was adopted to provide additional benefits and deferral opportunities to senior officers. Eligible employees may defer portions of their compensation with the maximum amount that may be deferred each plan year being twenty-five percent (25%) of the participant's salary and one-hundred percent (100%) of the participant's bonus or performance-based compensation. In addition, the Plan allows for Meridian to make annual supplemental contributions or discretionary contributions to all or some of the eligible participants.

401(k) Plan. Our bank maintains a 401(k) retirement plan. All employees are eligible to participate after they have attained the age of 21 and have also completed three consecutive months of employment with Meridian or subsidiaries. The employees may contribute up to the maximum percentage allowable by law of their compensation to the Plan. Meridian may make a discretionary matching contribution. An employee is immediately fully vested in his or her own contributions. Vesting of employer discretionary matching contributions occurs in equal amounts each year over a six-year period.

Meridian Bank Employee Stock Ownership Plan

Our bank maintains an Employee Stock Ownership Plan. All employees are eligible to participate after they have attained the age of 21 and have also completed three consecutive months of employment with Meridian. Participants are neither permitted nor required to make contributions to the Plan. Our bank shall match contributions of cash or shares of our common stock, or both, to the Plan to participants who participate in the Meridian 401(k) Plan and are eligible to receive a matching contribution. Additional cash or shares of our common stock may also be contributed to all eligible employees in such amount as may be determined by the Board of Directors in its discretion. Contributions are 100% vested after 3 years of service. There is no partial vesting.

Insurance

All eligible full time employees of Meridian are covered as a group by basic hospitalization, major medical, dental, long-term disability, term life and a prescription drug plan. Meridian pays the total cost of long-term disability and term life insurance. For major medical, dental and the prescription drug plan cost sharing and a co-payment are required.

Employment agreement with Mr. Annas

Our bank has entered into a written employment agreement with Mr. Annas. The term of Mr. Annas' employment agreement continues until January 30, 2020. At the end of that term, the agreement automatically renews for a two-year term unless either Mr. Annas or the bank notifies the other of their intent not to renew the agreement eighteen months prior to such date.

The employment agreement provides that Mr. Annas will be paid an initial annual salary of $135,000 which may be reviewed and increased by the compensation committee. Mr. Annas has a current annual salary of $375,000. In addition, the employment agreement provides that Mr. Annas is also eligible to receive annual performance (cash) bonuses equal to 40% of his annual salary and will participate in the benefit programs that are provided to our employees and other executives as well as the Supplemental Executive Retirement Plan (discussed above).

The bank may terminate Mr. Annas' employment for Just Cause, as defined, at any time subject to Mr. Annas' right to notice and to cure. If uncured, Mr. Annas shall not be entitled to any further payments under the employment agreement. Mr. Annas may also terminate his employment at any time upon 120 days' written notice to the bank. If a Change of Control, as defined, occurs, Mr. Annas shall have the right to terminate upon notice within 90 days after he actually receives a written notice and detailed description of the Change of Control from the bank or has actual knowledge of the Change of Control. Upon such occurrence or upon Mr. Annas' termination of employment for any reason other than Just Cause or a disability continuing for more than 90 days, Mr. Annas will receive (a) his salary for a period equal to the greater of (i) the remaining term of the employment agreement or (ii) eighteen months from the date of termination and (b) during the foregoing period, health, disability and life insurance coverage, directors' and officers' liability insurance tail coverage and outplacement services which cost not more than $5,000. In the event that Mr. Annas is ill and/or suffers any type of disability, the bank shall continue to pay him his full salary until he begins receiving benefits under a disability insurance policy provided by the bank, but not in excess of six months. Once Mr. Annas begins receiving benefits under such policy, the bank shall pay him the difference between his then current annual salary and the amount of such benefits for a period of six months.

Under the employment agreement, Mr. Annas is subject to noncompetition and nonsolicitation provisions that apply during the term of the employment agreement and for a period of one year and eighteen months, respectively, following termination of employment.

The parties are in discussions to amend and replace this employment agreement.

Director Compensation

2016 Director Compensation Table

Information relating to the compensation of Meridian's directors during 2016 is set forth below. Directors who are employed by Meridian are not paid additional compensation for board or committee service. Compensation of non-employee directors is established by the board.

2016 DIRECTOR COMPENSATION TABLE

Director	Fees earned or paid in cash ($)	Stock awards ($)(1)	Total
Robert M. Casciato	$23,500	$6,719	$30,219
George C. Collier	$14,750	$6,719	$21,469
Robert T. Holland	$46,000	$6,719	$52,719
Edward J. Hollin	$30,500	$6,719	$37,219
Anthony M. Imbesi	$20,500	$6,719	$27,219
Kenneth H. Slack	$34,750	$6,719	$41,469

(1) As required by SEC rules, the amounts in this column represent the aggregate dollar amount of stock awards computed in accordance with ASC 718. For information on the valuation assumptions used in these computations, see Note 14 to our consolidated financial statements for the year ended December 31, 2016.

In addition to cash fees, non-employee directors were also eligible to receive compensation in the form of stock options under our stock option plan. Under the stock option plan, each non-employee director may be awarded stock options. Options were granted to non-employee directors in 2016 as noted above.

For 2017, our non-employee directors receive an annual retainer of $16,000. Additionally, our lead director also receives an additional annual retainer of $12,000, with the chairs of each of our audit and loan committees receiving an annual retainer of $12,000. Our non-employee directors also receive an attendance fee for each board and committee attended of $750.

PRINCIPAL SHAREHOLDERS

The following table sets forth information, as of March 31, 2017, regarding the beneficial ownership of our common stock, immediately prior to and immediately after the consummation of this offering, by:

- all persons known by us to own beneficially more than 5% of our outstanding common stock;
- each of our named executive officers;
- each of our directors; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities. A security holder is also deemed to be, as of any date, the beneficial owner of all securities that such security holder has the right to acquire within 60 days after such date through (i) the exercise of any option or warrant,

(ii) the conversion of a security, (iii) the power to revoke a trust, discretionary account or similar arrangement or (iv) the automatic termination of a trust, discretionary account or similar arrangement. Except as otherwise indicated, all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws. Except as otherwise indicated, the address for each shareholder listed below is c/o Meridian Bank, Nine Old Lincoln Highway, Malvern, Pennsylvania 19355.

Name	Shares Beneficially Owned (1)	Percent of total shares
Directors and Executive Officers		
Christopher J. Annas(2)	232,503	6.3%
Joseph L. Cafarchio(3)	9,904	*
Robert M. Casciato(4)	67,329	1.8%
George C. Collier(5)	9,970	*
Robert T. Holland(6)	25,663	*
Edward J. Hollin(7)	23,050	*
Anthony M. Imbesi(8)	179,544	4.8%
Denise Lindsay(9)	31,728	*
Charles Kochka(10)	7,164	*
Kenneth H. Slack(11)	32,047	*
Total of directors and executive officers(14)	618,905	16.79%
Significant shareholders		
EJF Sidecar Fund Series E / EJF Capital LLC(12)	363,905	9.9%
Strategic Value Investors LP(13)	270,968	7.4%
Streamlight, Inc.(5)	195,031	5.3%

(1) Includes shares which may be held in IRAs for which the named individual has the power to vote the shares. Beneficial ownership does not include the unvested portion of stock awards due to lack of voting and disposition power, unless such award will vest within sixty days of September 29, 2017.

(2) Includes options to purchase 39,906 shares of common stock.

(3) Includes options to purchase 5,960 shares of common stock.

(4) Includes options to purchase 5,250 shares of common stock.

(5) Includes options to purchase 5,250 shares of common stock. Mr. Collier is a director and Chief Financial Officer of Streamlight, Inc., but he does not possess power to vote, invest or otherwise control Meridian’s shares owned by Streamlight. Mr. Collier disclaims beneficial ownership of the shares owned by Streamlight. Streamlight’s address is 30 Eagleville Road, Eagleville, Pennsylvania 19403.

(6) Includes options to purchase 5,887 shares of common stock.

(7) Includes options to purchase 5,887 shares of common stock.

(8) Includes options to purchase 5,887 shares of common stock. Mr. Imbesi’s beneficial ownership includes interests owned by Patriarch Holdings LLC as well as Patriarch Meridian Partnership LP, for which he owns 24.75% and is the general partner.

(9) Includes options to purchase 12,904 shares of common stock.

(10) Includes options to purchase 5,361 shares of common stock.

(11) Includes options to purchase 5,250 shares of common stock.

(12) The address of EJF Capital LLC is 2107 Wilson Boulevard, Suite 410, Arlington, Virginia 22201.

(13) The address of Strategic Value Investors LP is 2000 Auburn Drive, Suite 300, Beachwood, Ohio 44122.

(14) Includes options to purchase 103,429 shares of common stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We or one of our subsidiaries may occasionally enter into transactions with certain "related persons". Related persons include our executive officers, directors, 5% or more beneficial owners of our common stock, immediate family members of these persons and entities in which one of these persons has a direct or indirect material interest. We generally refer to transactions with these related persons as "related party transactions".

Related Party Transaction Policy

Our board of directors will adopt a written policy governing the review and approval of transactions with related parties that will or may be expected to exceed $120,000 in any fiscal year. The policy will call for the related party transactions to be reviewed and, if deemed appropriate, approved or ratified by our audit committee. Upon determination by our audit committee that a transaction requires review under the policy, the material facts are required to be presented to the audit committee. In determining whether or not to approve a related party transaction, our audit committee will take into account, among other relevant factors, whether the related party transaction is in our best interests, whether it involves a conflict of interest and the commercial reasonableness of the transaction. In the event that we become aware of a related party transaction that was not approved under the policy before it was entered into, our audit committee will review such transaction as promptly as reasonably practical and will take such course of action as may be deemed appropriate under the circumstances. In the event a member of our audit committee is not disinterested with respect to the related party transaction under review, that member may not participate in the review, approval or ratification of that related party transaction.

Certain decisions and transactions are not subject to the related party transaction approval policy, including:
(i) decisions on compensation or benefits relating to directors or executive officers and (ii) indebtedness to us in the ordinary course of business, on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable loans with persons not related to us and not presenting more than the normal risk of collectability or other unfavorable features. All loans subject to Regulation O are presented and reviewed by the board of directors.

Related Party Transactions

Our bank makes loans to executive officers and directors of the bank in the ordinary course of its business. These loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time the transaction is originated for comparable transactions with nonaffiliated persons, and do not involve more than the normal risk of collectability or present any other unfavorable features. Federal regulations prohibit the bank from making loans to executive officers and directors of the bank or the bank at terms more favorable than could be obtained by persons not affiliated with the bank or the bank. Our policy towards loans to executive officers and directors currently complies with this limitation. The aggregate outstanding balance of the loans to all executive officers, directors or their affiliates, at December 31, 2016, was $1.8 million. In addition, the bank paid legal fees of $31,000 to a law firm of a director in 2016.

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock is a summary of the material terms of our articles of incorporation and our bylaws. Reference is made to the more detailed provisions of, and the descriptions are qualified in their entirety by reference to, these documents, which are filed with the FDIC as exhibits to the registration statement on Form 10, and applicable law.

General

Our authorized capital stock consists of 10,000,000 shares of common stock, par value $1.00 per share, and 5,000,000 shares of preferred stock, with no stated par value, of which 6,200 shares have been designated Non-Cumulative Perpetual Preferred Stock, Series 2009A ("Series 2009A preferred stock"), 310 shares have been designated Non-Cumulative Perpetual Preferred Stock, Series 2009B ("Series 2009B preferred stock") and 6,335 shares have been designated Non-Cumulative Perpetual Preferred Stock, Series 2009C ("Series 2009C preferred stock"). As of June 30, 2017, there were issued and outstanding 3,686,405 shares of our common stock, 6,200 shares of our Series 2009A preferred stock, 310 shares of our Series 2009B preferred stock and 6,355 shares of our Series 2009C preferred stock. The authorized but unissued shares of our capital stock will be available for future issuance without shareholder approval, unless otherwise required by applicable law or the rules of any applicable securities exchange. All of our issued and outstanding shares of capital stock are validly issued, fully paid and non-assessable.

Common Stock

Subject to the rights and preferences granted to holders of our preferred stock then outstanding, and except with respect to voting rights, conversion rights and certain distributions of our capital stock, holders of our common stock rank equally with respect to distributions and have identical rights, preferences, privileges and restrictions, including the right to attend meetings and receive any information distributed by us with respect to such meetings.

Dividends. Holders of our common stock are equally entitled to receive ratably such dividends as may be declared from time to time by our board of directors out of legally available funds. In no event will any stock dividends or stock splits or combinations of stock be declared or made on common stock unless the shares of common stock at the time outstanding are treated equally and identically, provided that, in the event of a dividend of common stock, shares of common stock shall only be entitled to receive shares of common stock. The ability of our board of directors to declare and pay dividends on our common stock is subject to the laws of the Commonwealth of Pennsylvania, applicable federal and state banking laws and regulations, and the terms of any senior securities (including preferred stock) we may then have outstanding.

The Pennsylvania Banking Code provides that cash dividends may be declared and paid only out of accumulated net earnings and that, prior to the declaration of any dividend, if the surplus of a bank is less than the amount of its capital, the bank shall, until surplus is equal to such amount, transfer to surplus an amount which is at least 10% of the net earnings of the bank for the period since the end of the last fiscal year or for any shorter period since the declaration of a dividend. If the surplus of a bank is less than fifty percent of the amount of capital, no dividend may be declared or paid without the prior approval of the PDBS until such surplus is equal to fifty percent of the bank's capital.

The FDIA generally prohibits all payments of dividends by any bank which is in default of any assessment of the FDIC.

Voting rights. Each holder of our common stock is entitled to one vote for each share of record held on all matters submitted to a vote of shareholders, except as otherwise required by law and subject to the rights and preferences of the holders of any outstanding shares of our preferred stock. Holders of our common stock are not entitled to cumulative voting in the election of directors. Directors are elected by a plurality of the votes cast.

Liquidation rights. In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in all of our assets remaining after payment of liabilities, including, but not limited to, the liquidation preference of any then outstanding preferred stock. Our rights and the rights of our creditors and shareholders to

receive the assets of any subsidiary upon liquidation or recapitalization may be subject to prior claims of our subsidiary's creditors, except to the extent that we may be a creditor with recognized claims against our subsidiary.

Preemptive and other rights. Holders of our common stock are not entitled to any preemptive, subscription or redemption rights, and no sinking fund will be applicable to our common stock.

Preferred Stock

Our articles of incorporation authorize our board of directors to establish one or more series of preferred stock. Unless required by law or any stock exchange, the authorized but unissued shares of preferred stock will be available for issuance without further action by our shareholders. Our board of directors is authorized to divide the preferred stock into series and, with respect to each series, to fix and determine the designation, terms, preferences, limitations and relative rights thereof, including dividend rights, dividend rates, conversion rights, voting rights, redemption rights and terms, liquidation preferences, sinking fund provisions and the number of shares constituting the series. Subject to the rights of the holders of any series of preferred stock, the number of authorized shares of any series of preferred stock may be increased (but not above the total number of shares of preferred stock authorized under our articles of incorporation) or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the outstanding shares. Without shareholder approval, we could issue preferred stock that could impede or discourage an acquisition attempt or other transaction that some, or a majority, of our shareholders may believe is in their best interests or in which they may receive a premium for their common stock over the market price of the common stock.

We have three series of preferred stock outstanding as of the date of this offering circular, the terms of which are summarized below. The Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock have substantially the same rights and privileges.

Outstanding preferred stock

Preferential rights. Our Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock rank senior to our common stock as to dividends, distribution upon the liquidation, dissolution, or winding up of Meridian. Our Series 2009A preferred stock ranks on parity with our Series 2009B preferred stock and Series 2009C preferred stock as to dividends, distributions upon the liquidation, dissolution or winding up of Meridian. Our outstanding preferred stock is not convertible into or exchangeable for any shares of common stock or any other class of Meridian capital stock. Holders of our outstanding preferred stock do not have any preemptive rights. Meridian may issue stock with preferences junior to the Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock without the consent of the holders of such preferred stock.

Dividends. As long as shares of Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock remain outstanding, Meridian cannot declare or pay any dividend or make any other distribution on any common stock, unless at the time of such dividend or other distribution Meridian has paid the required dividend with respect to each outstanding share of outstanding preferred stock, which is 9% per annum. Dividends on the outstanding preferred stock are noncumulative.

Voting rights. Holders of the outstanding preferred stock do not have voting rights other than those described below and as specifically required by Pennsylvania law.

Without the vote or consent of a majority of the Series 2009A preferred stock, Series 2009B preferred stock and Series 2009C preferred stock then outstanding, voting as a single class with all other classes and series of parity securities having similar voting rights then outstanding, Meridian may not (i) alter or change the provisions of Meridian's articles of incorporation (including any articles of amendment or statement of designations relating to the outstanding preferred stock) or bylaws so as to adversely affect the powers, preferences or rights of the holders of shares of the outstanding preferred stock or (ii) merge or consolidate with another entity where Meridian is not the surviving corporation and the outstanding preferred stock is changed into anything other than a class or series of preferred stock of the surviving corporation having voting rights that, if such change had been effected by amendment of the articles

of incorporation, would not have required a vote of the holders of the outstanding preferred stock under the statement of designations for such preferred stock.

Liquidation rights. In the event of the voluntary or involuntary liquidation, dissolution or winding up of Meridian, holders of the outstanding preferred stock are entitled to receive out of assets available for distribution to shareholders, before any distribution of assets may be made to or set aside to holders of our common stock and any capital stock ranking junior to the outstanding preferred stock as to distributions, a liquidating distribution in an amount equal to $1,000 per share, plus any declared but unpaid dividends thereon.

Redemption. With the prior approval of the FDIC, Meridian may redeem the outstanding preferred stock (i) in whole or in part, at its option, at any time or from time to time or (ii) in whole, but not in part, upon the occurrence of a Regulatory Capital Treatment Event (as defined in the preferred stock statement of designations), in each case at the redemption price equal to $1,000, plus any declared and unpaid dividends, without accumulation of any undeclared dividends, to, but excluding, the date fixed for redemption.

Authorized but Unissued Capital Stock

The Pennsylvania Banking Code does not generally require shareholder approval for the issuance of authorized shares. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions. However, the listing requirements of Nasdaq, which would apply so long as the common stock remains listed on Nasdaq, require shareholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of common stock.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive our shareholders of opportunities they may believe are in their best interests or in which they may receive a premium for their common stock over the market price of the common stock.

Anti-Takeover Effects of Provisions of Applicable Law and Our Articles of Incorporation and Bylaws

Federal banking law. The ability of a third party to acquire our stock is also limited under applicable U.S. banking laws, including regulatory approval requirements. The BHC Act requires any “bank holding company” to obtain the approval of the Federal Reserve before acquiring, directly or indirectly, more than 5% of our outstanding common stock. Any “company” (as defined in the BHC Act) other than a bank holding company is required to obtain the approval of the Federal Reserve before acquiring “control” of us. “Control” generally means (i) the ownership or control of 25% or more of a class of voting securities, (ii) the ability to elect a majority of the directors or (iii) the ability otherwise to exercise a controlling influence over management and policies. A person, other than an individual, that controls us for purposes of the BHC Act is subject to regulation and supervision as a bank holding company under the BHC Act. In addition, under the Change in Bank Control Act of 1978, as amended, and the Federal Reserve’s regulations thereunder, any person, either individually or acting through or in concert with one or more persons, is required to provide notice to the Federal Reserve prior to acquiring, directly or indirectly, 10% or more of our outstanding common stock (or any other class of our voting securities).

Pennsylvania banking law. Under the Pennsylvania Banking Code, no person may acquire control of more than a designated percentage of the outstanding voting shares of a bank without the prior written approval of the PDBS. For these purposes, beneficial ownership by a person is deemed to include ownership by another person which controls, is controlled by or is under common control with such person and to include ownership by a spouse or member of the family of such person. The acquisition of options, warrants and rights to subscribe for, or to purchase, shares and the acquisition of rights to obtain shares though a conversion or exchange are deemed an acquisition of such shares. If a bank had net operating loss carryforwards, as defined in the IRC, in excess of 20% of its total stockholders’ equity, as reported in its most recent publicly available annual financial statements, the applicable percentage is 5% of the applicable class of shares. In other cases, the applicable percentage is 10% of the applicable class of shares. A merger or consolidation of Meridian Bank with another institution is subject to detailed requirements of applicable federal and state banking law. In general, subject to such provisions, if the proposed merger or consolidation will result in a

Pennsylvania banking institution, it will require (i) the approval of at least a majority of the directors, and (ii) the affirmative vote of holders of at least two-thirds of the outstanding shares of common stock at a meeting held upon not less than ten days' notice to all shareholders. Other types of fundamental transactions are subject to other requirements under applicable federal and state law.

Meridian Bank's articles of incorporation include a provision that makes inapplicable the right of a shareholder under the Pennsylvania Banking Code to demand "fair value" (as such term is defined in the Pennsylvania Banking Code) of such voting shares in cash from any person or group which acquires at least 30% of the voting control of a bank.

Holdings in excess of 20% of common stock. Article IV of our articles of incorporation provides that no shareholder may have "holdings" of shares that exceed 20% of the issued and outstanding shares of common stock. For these purposes, "holdings" is defined to include: (i) the common stock the shareholder owns of record; (ii) the common stock which the shareholder has direct and indirect beneficial ownership, and (iii) the common stock owned of record or beneficially by other shareholders acting together with the shareholder as a group for the purpose of acquiring, holding or disposing of our common stock (such group, a "Shareholder Group"). Our articles of incorporation provide that the board of directors may use, but is not necessarily limited to, the following indicia to determine "beneficial ownership": the effect of stock ownership by a person's spouse and minor children; the extent of a substantial shareholder's ownership of partnership interests; transfers pursuant to divorce; installment purchases; stock warrants, grants and options; control over the voting power of any stock; the status of a substantial shareholder as trustee, trust beneficiary or settlor of a trust of which part or all of the corpus is shares of our common stock; and stock dividends. Our articles of incorporation provide that the determination of the board of directors of the existence and membership of a Shareholder Group, of a shareholder's "holdings" and of related matters are conclusive, absent proof of bad faith. If any shareholder acquires holdings which cause the violation of these restrictions, our articles of incorporation provide that the board of directors may (a) terminate all voting rights attributable to the shares owned beneficially by such shareholder during the time that the restriction is being violated; (ii) commence litigation to require the divestiture of such amount of the shares so that after such divestiture the shareholder would no longer be in violation of the restriction; or (iii) take such other action as is appropriate under the circumstances. Upon a resolution adopted by at least two-thirds of members of the board of directors, these restrictions may be waived with respect to the holdings of any shareholder or shareholders.

Stakeholder consideration by the board of directors in fundamental transactions. Article VII of our articles of incorporation provides that the board of directors may, if it deems advisable, oppose a tender or other offer for our securities, whether the offer is in cash or in securities of a corporation or otherwise. When considering whether to oppose an offer, the board of directors may, but is not legally obligated to, consider any relevant or pertinent issue. By way of illustration, but not of limitation, the board of directors may, but shall not be legally obligated to, consider any or all of the following: (i) whether the offer price is acceptable based on the historical and present operating results or financial condition of the bank, (ii) whether a more favorable price could be obtained for our securities in the future, (iii) the social and economic effects of the offer or transaction on the bank and any of its subsidiaries, employees, depositors, loan and other customers, creditors, shareholders and other elements of the communities in which the bank and any of its subsidiaries operate or are located, (iv) the business and financial conditions and earning prospects of the offeror, including, but not limited to, debt service and other existing or likely financial obligations of the offeror, and the possible affect of such conditions upon the bank and any of its subsidiaries and the other elements of the communities in which the bank and any of its subsidiaries operate or are located, (v) the value of the securities (if any) which the offeror is offering in exchange for our securities, based on an analysis of the worth of the bank as compared to the corporation whose securities are being offered, and (vi) any antitrust or other legal and regulatory issues that are raised by the offer. If the board of directors determines that an offer should be rejected, it may take any lawful action to accomplish its purpose, including, but not limited to, the following: advising shareholders not to accept the offer; litigation against the offeror; filing complaints with all governmental and regulatory authorities; acquiring securities; selling or otherwise issuing authorized but unissued securities or treasury stock or granting options with respect thereto; acquiring a company to create an antitrust or other regulatory problem for the offeror; or obtaining a more favorable offer from another individual or entity.

Requirements for advance notification of shareholder nominations and proposals. Our bylaws establish advance notice procedures with respect to shareholder proposals and nomination of candidates for election as directors. These procedures provide that notice of such shareholder proposal must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal

executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. The notice must contain certain information required to be provided by our bylaws.

Staggered board of directors. Our bylaws provide that the board of directors shall be divided into three classes with each class containing one-third of the total number of directors. The term of office of one of the three classes of directors expires in each year.

Amending our articles of incorporation and our bylaws

Our articles of incorporation may be amended or altered in any manner provided by the Pennsylvania Banking Code, except that Articles IV and VII of our articles of incorporation may be amended or altered only if first approved by the affirmative vote of holders of at least two-thirds of the outstanding shares of common stock. Our bylaws may be adopted, amended, altered or repealed by shareholders only upon approval of at least two-thirds of outstanding shares of our common stock. Additionally, our articles of incorporation provide that our bylaws may be amended, altered or repealed by our board of directors by a majority vote.

Indemnification and Limitation of Liability

Our bylaws provide generally that we will indemnify and hold harmless, to the full extent permitted by law, our directors, officers, employees and agents, as well as other persons who have served as our directors, officers, employees or agents and other persons who serve or have served at our request at another corporation, limited liability company, public limited company, partnership, joint venture, trust, employee benefit plan, fund or other enterprise in connection with any actual or threatened action, suit or proceeding, subject to limited exceptions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. Finally, our ability to provide indemnification to our directors and officers is limited by federal banking laws and regulations.

Our articles of incorporation limit, to the full extent permitted by law, the personal liability of our directors in actions brought on our behalf or on behalf of our shareholders for monetary damages as a result of a director's breach of fiduciary duty while acting in a capacity as a director. Our articles of incorporation do not eliminate or limit our right or the right of our shareholders to seek injunctive or other equitable relief not involving monetary damages.

Listing

We have received approval to list our common stock on the NASDAQ Global Select Market under the symbol "MRBK."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare.

DESCRIPTION OF HOLDING COMPANY SHARES

The following description of the holding company's share capital is a summary. As previously disclosed, the bank plans to reorganize with the formation of the holding company. Assuming all required approvals are obtained, the bank anticipates effecting the reorganization shortly after completion of the offering. This summary is not complete and is subject to the complete text of the holding company's proposed articles of incorporation and by-laws attached as **Exhibit B** and **Exhibit C**, respectively, to this offering circular. Except where otherwise indicated, the description below reflects the holding company's articles of incorporation and by-laws as those documents will be in effect upon completion of the transaction. We encourage you to read those documents carefully.

General

The holding company is authorized to issue up to 10,000,000 shares of common stock with a par value of $1.00 per share and 5,000,000 shares of preferred stock with no stated par value. The board of directors, in its sole discretion, has authority to sell any treasury stock and/or unissued securities, options, warrants, or other rights to purchase any security of the corporation, upon such terms as it deems advisable, including without limitation the division of shares into classes and into series within any class, the determination of the designation and the number of shares of any class or series and the determination of the voting rights, preferences, limitations and special rights, if any, of the shares of any class or series. The holding company board of directors could issue preferred stock, or additional shares of common stock, at any time.

Voting rights

The holders of shares of common stock have the right to elect the holding company's board of directors and to act on such other matters as are required to be presented to them. Each holder of common stock is entitled to one vote per share. The holders of common stock do not have the right to vote their shares cumulatively in the election of directors only. This means that, for each director position to be elected, a shareholder may only cast a number of votes equal to the number of shares held by the shareholder. Because the articles permit the holding company board of directors to set the voting rights of preferred shares, it is possible that holders of one or more series of preferred shares issued in the future could have voting rights of any sort, which could limit the effect of the voting rights of common shareholders.

Dividend rights

Authority Under Pennsylvania Business Corporation Law. The holding company's board of directors has the authority to declare dividends on its common and preferred stock, subject to statutory and regulatory requirements. For example,

Pennsylvania Business Corporation Law. Pennsylvania law permits a business corporation such as the holding company to pay dividends if, after giving effect to the dividend, it is able to pay its debts as they come due in the usual course of business and its assets exceed its liabilities. However, the holding company's ability to pay dividends will be restricted by banking laws and our ability to pay dividends to the holding company to fund the holding company's dividends to its shareholders.

Federal Bank Holding Company Act Policies Applicable to Cash Dividends. The Board of Governors of the Federal Reserve System, which will be the primary federal banking regulator for the holding company, considers adequate capital to be critical to the health of individual banking organizations and to the safety and stability of the banking system. A major determinant of a bank's or bank holding company's capital adequacy is the strength of its earnings and the extent to which its earnings are retained and added to capital or paid out to shareholders in the form of cash dividends.

Normally, during profitable periods, dividends represent an appropriate return of a portion of a banking organization's net earnings to its shareholders. However, the payment of cash dividends that are not fully covered by earnings, in effect, represents the return of a portion of an organization's capital at a time when circumstances may indicate instead the need to strengthen capital and concentrate financial resources on resolving the organization's

problems. Therefore, the Federal Reserve believes that a bank or bank holding company generally should not maintain its existing rate of cash dividends on common stock unless (1) the organization's net income available to common shareholders over the past year has been sufficient to fully fund the dividends and (2) the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality, and overall financial condition. The Federal Reserve may strongly encourage, or require, a banking organization whose cash dividends are inconsistent with either of these criteria to cut or eliminate its dividends.

The Federal Reserve also believes it is inappropriate for a banking organization that is experiencing serious financial problems or that has inadequate capital to borrow in order to pay dividends since this can result in increased leverage at the very time the organization needs to reduce its debt or increase its capital. Similarly, the payment of dividends based solely or largely upon gains resulting from unusual or nonrecurring events, such as the sale of the organization's building or the disposition of other assets, may not be prudent or warranted, especially if the funds derived from such transactions could be better employed to strengthen the organization's financial resources. Furthermore, a fundamental principle underlying the Federal Reserve's supervision and regulation of bank holding companies is that bank holding companies should serve as a source of managerial and financial strength to their subsidiary banks. The Federal Reserve believes, therefore, that a bank holding company should not maintain a level of cash dividends to its shareholders that places undue pressure on the capital of bank subsidiaries, or that can be funded only through additional borrowings or other arrangements that may undermine the bank holding company's ability to serve as a source of strength. Thus, for example, if a major subsidiary bank is unable to pay dividends to its parent company—as a consequence of statutory limitations, intervention by the primary supervisor, or noncompliance with regulatory capital requirements—the Federal Reserve may encourage or require a bank holding company to reduce or eliminate its dividends in order to conserve its capital base and provide capital assistance to the subsidiary bank.

The Federal Reserve has further stated that a bank holding company should pay cash dividends only out of income over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition, and only if, after paying the dividend, the bank holding company is not in danger of falling below its required regulatory capital adequacy ratios. It has also indicated that a "small bank holding company" such as the holding company is not expected to pay corporate dividends until such time as its debt to equity ratio (determined separately and not on a consolidated basis with its bank subsidiary) is 1:1 or less and its bank subsidiaries are otherwise well-managed, well-capitalized, and not under any supervisory order.

Pennsylvania Banking Code Requirements Applicable to Cash Dividends. Because the bank will be the primary source of cash for payment of dividends by the holding company for the foreseeable future, requirements of the Pennsylvania Banking Code setting conditions on payments of dividends by banks such as the bank will constrain our ability to provide funds to the holding company to pay dividends to shareholders. These rules will apply similarly to the bank after the transaction as they presently apply to the bank. In summary, Section 1302 of the Pennsylvania Banking Code permits a bank to pay cash dividends only out of accumulated net earnings. Furthermore, if any transfer of net earnings to surplus is required by section 1103 of the Pennsylvania Banking Code to cause our surplus to meet minimum statutory requirements at the time the dividend is to be declared or paid, the transfer must be made prior to the declaration of the dividend, and the bank's surplus cannot be reduced by the payment of the dividend.

For the foregoing reasons, and because a decision by the holding company board of directors to declare and pay cash dividends will depend upon the future financial performance and condition of the bank and the holding company, no assurances can be given that any dividends will in fact be paid on the common stock, or that, if dividends are paid, they will not be reduced or discounted in the future.

Conversion, redemption, preemption rights and repurchase provisions

The holding company's common stock has no preemptive, subscription or conversion rights, and no redemption or repurchase provisions. The shares are non-assessable and require no sinking fund. Common stock repurchases are subject to Federal Reserve regulations and policy, which generally require no more than ten percent of the outstanding shares of the holding company common stock be repurchased in any 12-month period, unless the holding company is deemed "well-managed" and "well-capitalized" under applicable regulations. Repurchases of the holding company stock will also be constrained by federal and state bank regulatory capital requirements. Repurchases of stock by bank holding companies may also be subject to prior notice to and approval by the Federal Reserve in some cases.

Liquidation rights

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

Anti-takeover effect of provisions in the articles and bylaws

The following description of certain provisions of the Articles of Incorporation and Bylaws of the holding company, which may be considered to be anti-takeover in effect, is necessarily general and reference should be made in each instance to the holding company Articles of Incorporation, attached as **Exhibit B**, and the holding company Bylaws, attached as **Exhibit C**.

Authorized Capital; No Preemptive Rights. The number of authorized common and preferred shares, and the granting of authority to the holding company's board of directors to determine the terms of any common or preferred stock or other securities issued, are intended to give the holding company board of directors some flexibility to issue additional securities for proper corporate purposes, including financing, acquisitions, stock dividends, stock splits and employee incentive plans. However, these additional shares could also be used by the board of directors to deter future attempts to gain control over the holding company.

Ownership Limitation. The holding company's articles of incorporation provide that, generally, no shareholder may have holdings of shares that exceed 20% of the issued and outstanding shares of common stock. However, this restriction can be waived for any shareholder or shareholders upon the resolution of at least two-thirds of the board of directors. If any shareholder acquires holdings which cause the violation of the restriction (sometimes called a substantial shareholder), the board of directors may terminate all voting rights attributable to the shares owned beneficially by the shareholder during the time that the restriction is being violated, commence litigation to require the divestiture of such amount of the shares so that after such divestiture the shareholder would no longer be in violation of the restriction contained in Section 1 of this Article, or take such other action as is appropriate under the circumstances. For purposes of the provision, a shareholder's holdings are: (i) the common stock the shareholder owns of record; (ii) the common stock to which the shareholder has direct or indirect beneficial ownership and (iii) the common stock owned of record or beneficially by other shareholder(s) acting together with the shareholder as a group for the purpose of acquiring, holding or disposing of common stock. The board of directors may use, but is not necessarily limited to, the following indicia to determine beneficial ownership: the effect of stock ownership by a person's spouse and minor children; ownership of shares held by a corporation or foundation of which a substantial shareholder is an officer or affiliate; the extent of a substantial shareholder's ownership of partnership shares; transfers pursuant to divorce; installment purchases; stock warrants, grants and options; control over the voting power of any stock; the status of a substantial shareholder as trustee, trust beneficiary or settler of a trust of which part of all of the corpus is shares of the common stock of the holding company; and stock dividends. The board's determination of the existence and membership of a shareholder group, of a shareholder's holdings and of the record are conclusive, absent proof of bad faith. This provision of the holding company's articles of incorporation may not be amended unless approved by the affirmative vote of at least two-thirds of the outstanding shares of common stock.

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

Acquisition Offers. The holding company's articles of incorporation provide that the board of directors may, if it deems it advisable, oppose a tender or other offer for the holding company's securities, whether the offer is in cash or in the securities of a corporation or otherwise. When considering whether to oppose an offer, the board of directors may, but is not legally obligated to, considers any relevant or pertinent issue; by way of illustration, but not of limitation, the board of directors may, but shall not be legally obligated to, consider any or all of the following:

(a) whether the offer price is acceptable based on the historical and present operating results or financial condition of the corporation;

(b) whether a more favorable price could be obtained for the corporation's securities in the future;

(c) the social and economic effects of the offer or transaction on this corporation and any of its subsidiaries, employees, depositors, loan and other customers, creditors, shareholders and other elements of the communities in which this corporation and any of its subsidiaries operate or are located;

(d) the business and financial conditions and earnings prospects of the offeror, including, but not limited to, debt service and other existing or likely financial obligations of the offeror, and the possible effect of such conditions upon this corporation and any of its subsidiaries and the other elements of the communities in which this corporation and any of its subsidiaries operate or are located;

(e) the value of the securities (if any) which the offeror is offering in exchange for the corporation's securities, based, on an analysis of the worth of the corporation as compared to the corporation whose securities are being offered;

(f) any antitrust or other legal and regulatory issues that are raised by the offer.

If the board of directors determines that an offer should be rejected, it may take any lawful action to accomplish its purpose including, but not limited to, the following: advising shareholders not to accept the offer; litigation against the offeror; filing complaints with all governmental and regulatory authorities; acquiring securities; selling or otherwise issuing authorized but unissued securities or treasury stock or granting options with respect thereto; acquiring a company to create an antitrust or other regulatory problem for the offeror; or obtaining a more favorable offer from another individual or entity. This provision of the holding company's articles of incorporation may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock of the holding company.

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

Classified Board. The Bylaws of the holding company provide for a classified board of directors. A classified board has the effect of moderating the pace of any change in control of the board of directors by extending the time required to elect a majority of the directors to at least two successive annual meetings. However, this extension of time also may tend to discourage a tender offer or takeover bid.

The overall effect of these provisions may be to deter a future offer or other merger or acquisition proposal that a majority of the shareholders might view to be in their best interests as the offer might include a substantial premium over the market price of the holding company's common stock at that time. In addition, these provisions may have the effect of assisting the holding company's management in retaining its position and placing it in a better position to resist changes that the shareholders may want to make if dissatisfied with the conduct of the holding company's business.

COMPARISON OF SHAREHOLDERS' RIGHTS

Upon consummation of the transaction, the bank shareholders will become the holding company shareholders. Consequently, after the transaction, the rights of such shareholders will be governed by the Pennsylvania Business Corporation Law and the articles of incorporation and bylaws of the holding company. The rights and interests of holders of the holding company shares are substantially the same as those in the bank prior to the transaction, other than as may be required by law. The rights of the bank shareholders are governed by the Pennsylvania Banking Code and the bank's articles of incorporation and bylaws. The rights of the holding company shareholders are governed by the Pennsylvania Business Corporation Law, the holding company's articles of incorporation and bylaws. A comparison of the rights of the bank and the holding company shareholders follows. This summary is not intended to be a complete statement of all of such differences or a complete description of the specific provisions referred to in, and is qualified in its entirety by reference to, Pennsylvania law and the respective articles of incorporation and bylaws of the bank and the holding company.

Authorized Capital

The bank and the holding company are each authorized by their articles to issue up to 10,000,000 shares of common stock with a par value of $1.00 per share and 5,000,000 shares of preferred stock with no stated par value. The board of directors of the bank and the holding company, in its sole discretion, has authority to sell any treasury stock and/or unissued securities, options, warrants, or other rights to purchase any security of the corporation, upon such terms as it deems advisable.

Annual Meetings of Shareholders

The bank's and the holding company's bylaws each provide that an annual meeting of the shareholders for the election of directors will be held at such place and at such time as may be fixed by the board of directors, but in any event by September 30 each year.

Special Meetings of Shareholders

The bank's and the holding company's bylaws each provide that special meetings of shareholders may be called at any time by the Chairman of the Board, the Chief Executive Officer, a majority of the board of directors or by one or more shareholders entitled to cast at least one-fifth of the votes which all shareholders are entitled to cast at the particular meeting.

Notice

The bank's and the holding company's bylaws each provide that the board must provide at least 5 days before each shareholder meeting other than adjourned meetings, except to the extent a greater period of notice is required by applicable law.

Record Date for Meetings, Distributions and Other Capital Changes

Bank. The bank's bylaws provide that the board may fix a record date, not more than 60 days prior to the date of any shareholder meeting or the date that any dividend payment, distribution, allotment of rights, or any change or conversion or exchange of shares will be made or go into effect, to determine those shareholders of record entitled to participate.

Holding Company. The holding company's bylaws provide that the board may fix a record date, not more than 60 days before any shareholder meeting or date that any dividend payment, distribution, allotment of rights, or any change or conversion or exchange of shares will be made or go into effect.

Cumulative Voting

Neither our bylaws nor the holding company's permit cumulative voting in the election of directors.

Advance Notice of Shareholder Proposals

The bank's and the holding company's bylaws each provide that, at any shareholder meeting, no shareholder shall be entitled to present new business, any proposal, or additional items for action by the shareholders, for consideration at the meeting, unless the shareholder shall have delivered to the Secretary a written notice setting forth in detail the new business, proposal or additional item for action by the shareholders, in the form to be acted upon or considered in the meeting. The notice must be delivered in such manner that it is received by the Secretary at least five (5) days before the date of the meeting or else the chairman of the meeting shall not be obligated to recognize such matter as eligible for consideration at that meeting. The bylaws do not require the bank or the holding company to notify shareholders, in advance of any meeting, of any shareholder proposals that have been received or may be presented at the meeting.

Advance Notice of Shareholder Board Nominations

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

Quorum

Under the bank's and the holding company's bylaws, the presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote on any matter shall constitute a quorum.

Required Shareholder Vote

Bank. When a quorum is present at any meeting: (i) the candidates for election as directors receiving the highest number of votes from each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected; and (ii) the affirmative vote of the holders of a majority of the stock having voting power, present, in person or by proxy, shall decide any other question brought before such meeting except as provided differently by statute or by the Articles of Incorporation. The Pennsylvania Banking Code requires the affirmative vote of not less than two-thirds of the holders of all voting shares to approve a merger and, if any class of shares is entitled to vote on the merger as a class, the affirmative vote of two-thirds of the holders of the shares in each such class.

Holding Company. When a quorum is present at any meeting: (i) the candidates for election as directors receiving the highest number of votes from each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected; and (ii) the affirmative vote of a majority of the votes cast shall decide any other question brought before such meeting except as provided differently by statute or by the Articles of Incorporation. The Pennsylvania Business Corporation Law provides that a

majority of votes cast by holders of voting shares may approve a merger including, if any class of shares is entitled to vote on the merger as a class, a majority of the votes cast in a vote by each such class.

The bank's and the holding company's articles of incorporation each provide that:

- The article imposing an ownership limitation of 20% of the issued and outstanding shares of common stock (see further description under, "Description of Holding Company Shares - Anti-takeover effect of provisions in the articles and bylaws – Ownership Limitation") may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock.
- The article permitting the board of directors to oppose certain acquisition offers (see further description under, "Description of Holding Company Shares - Anti-takeover effect of provisions in the articles and bylaws – Acquisition Offers ") may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock.

Shareholder Action Without a Meeting

Bank. Under the Pennsylvania Banking Code, any action which may be taken at a meeting of shareholders may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the shareholders who would be entitled to vote on such action at a meeting and shall be filed with the secretary of the bank.

Holding Company. Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting upon the written consent of shareholders who would have been entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting.

Number of Directors

For both the bank and the holding company, the bylaws provide that the number of directors will be between five and fifteen, as determined from time to time by resolution adopted by an affirmative majority vote of the board of directors. Applicable statutes limit the bank to 25 directors, but applicable statutes do not limit the number of the holding company directors, which could be increased by an amendment to the holding company bylaws.

Director Qualifications

Under applicable banking laws each director of the bank and the holding company must be a shareholder of the holding company. In addition, the Pennsylvania Banking Code requires that each of our directors must be citizens of the United States of America except to the extent this requirement is waived for not more than 20% of the bank directors by the Pennsylvania Department Banking and securities. Furthermore, at least two-thirds of our directors must have resided in Pennsylvania or within 100 miles of our main office for at least one year immediately preceding their election and must be residents of Pennsylvania or reside within 100 miles of our main office during their continuation in office; these requirements do not apply to the holding company directors.

Director Classification

The bank and the holding company bylaws provide that each board of directors shall be divided into three classes (Class A, Class B and Class C), as nearly equal in number as the then total number of directors constituting the whole board permits, with the term of office of one class expiring each year. Each class of directors shall be elected in a separate election. The term of office, until otherwise fixed, for all directors elected at each annual meeting shall be 3 years from the date of their election.

Vacancies on Board

The bank and the holding company bylaws provide that any vacancies in the board of directors for any reason, including vacancies caused by any increase in the number of directors, may be filled by the board of directors, acting by a majority of the directors then in office, although less than a quorum. Any director chosen to fill a vacancy in any class of directors shall become a member of the class of directors in which the vacancy occurred. Such director shall hold office for the remainder of the original term of such vacancy.

Amendment of Articles of Incorporation

Bank. Under the Pennsylvania Banking Code, an amendment to the articles of incorporation shall be proposed by adoption of a resolution by the board of directors, directing that it be submitted to a vote at a meeting of shareholders held upon not less than ten days' notice to all shareholders. Adoption of each amendment requires the affirmative vote of the shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast thereon and, if any class is entitled to vote thereon as a class, of the holders of at least a majority of the outstanding shares of such class. If a proposed amendment would: (i) make any change in the preferences, qualifications, limitations, restrictions or special or relative rights of the shares of any class or series adverse to such class or series, (ii) increase or decrease the par value of the shares of any class, (iii) increase the authorized number of shares of any class or series, unless otherwise provided in the articles, (iv) limit or deny the existing preemptive rights of the shares of any class, (v) authorize a new class or series of shares having a preference as to dividends or assets, or increase the number of authorized shares of any existing class or series, having a preference as to dividends or assets, senior to the shares of a class or series, or (vi) authorize the board of directors to fix and determine the relative rights and preferences as between series of any preferred or special class, the holders of the outstanding shares of such class or series shall be entitled to vote as a class on such amendment, regardless of any limitation stated in the articles on the voting rights of any class. Except in such case, only the holders of outstanding shares who, under the articles are entitled to vote on proposed amendments, shall be entitled to vote thereon.

Holding Company. Under the Pennsylvania Business Corporation Law, an amendment to the articles of incorporation requires the approval of the board of directors and, except in limited cases where a greater vote may be required, the affirmative vote of a majority of the votes cast by all shareholders entitled to vote on the matter and the affirmative vote of a majority of the votes cast by all shareholders within each class or series of shares if such class or series is entitled to vote on the matter as a class. Pennsylvania law also provides that shareholders of a registered corporation, such as the holding company, are not entitled by statute to propose amendments to the articles of incorporation.

The bank's and the holding company's articles of incorporation each provide that:

- The article imposing an ownership limitation of 20% of the issued and outstanding shares of common stock (see further description under, "Description of Holding Company Shares - Anti-takeover effect of provisions in the articles and bylaws – Ownership Limitation") may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock.
- The article permitting the board of directors to oppose certain acquisition offers (see further description under, "Description of Holding Company Shares - Anti-takeover effect of provisions in the articles and bylaws – Acquisition Offers ") may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock.

Amendment of Bylaws

The bank and the holding company bylaws provide that the bylaws may be altered, amended or repealed by either (i) the affirmative vote of the holders of a majority of the outstanding shares of common stock at a regular or special meeting of the shareholders; or (ii) action of the board of directors (except the directors shall not make or alter any bylaws fixing their qualification, classification or term of office), subject always to the power of the shareholders to change such action of the board of directors by the affirmative vote of the holders of a majority of the outstanding shares of common stock.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Future sales of substantial amounts of our common stock in the public market, or the perception that such sales may occur, could adversely affect market prices prevailing from time to time. Furthermore, because a number of shares will not be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future.

Lock-up Agreements

We, our executive officers and directors, subject to de minimis exceptions, have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this offering circular without first obtaining the written consent of Sandler O'Neill & Partners, L.P., as representative of the underwriters. See "Underwriting". At any time and without public notice, the representative may, in its sole discretion, release all or some of the securities from these lock-up agreements. The underwriters do not have any present intention or arrangement to release any shares of our common stock subject to lock-up agreements prior to the expiration of the 180-day lock-up period.

UNDERWRITING

Sandler O'Neill & Partners, L.P. is acting as representative of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement between us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Sandler O'Neill & Partners, L.P.	1,411,765
Keefe, Bruyette & Woods, Inc.	588,235
D.A. Davidson & Co.	352,941
Total	2,352,941

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Option to Purchase Additional Shares

We have granted an option to the underwriters, exercisable for 30 days after the date of this offering circular, to purchase up to 352,941 additional shares at the public offering price, less the underwriting discounts and commissions. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

Commissions and Discounts

The representative has advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this offering circular and to dealers at that price less a concession not in excess of $0.68850 per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discounts and commissions and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	Per Share	No Exercise	Full Exercise
Public offering price	$ 17.00	$ 39,999,997	$ 45,999,994
Underwriting discounts and commissions	$ 1.15	$ 2,700,000	$ 3,105,000
Proceeds, before expenses, to us	$ 15.85	$ 37,299,997	$ 42,894,994

The expenses of the offering, not including the underwriting discounts and commissions, are estimated at $0.5 million and are payable by us. We have agreed to reimburse Sandler O'Neil & Partners, L.P. for its reasonable out-of-pocket expenses incurred in connection with its engagement as underwriter, regardless of whether this offering is consummated, including without limitation, legal fees and expenses, marketing, syndication and travel expenses, not to exceed $175,000 in the aggregate.

Indemnification and Contribution

We have agreed to indemnify the underwriters and persons who control the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters and persons who control the underwriters may be required to make in respect of those liabilities.

No Sales of Similar Securities

We and our executive officers and directors have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this offering circular without first obtaining the written consent of Sandler O'Neill & Partners, L.P. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Listing and Offering Price Determination

We have received approval to list our common stock on the NASDAQ Global Select Market under the symbol "MRBK." In order to meet the requirements for listing on that exchange, the underwriters have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representative. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the representative believes to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues, and

- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representative may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. "Naked" short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representative has repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on Nasdaq in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Passive Market Making

In connection with this offering, the underwriters and selected dealers, if any, who are qualified market makers on the Nasdaq Global Select market, may engage in passive market making transactions in our common stock on the Nasdaq Global Select market in accordance with Rule 103 of Regulation M under the Securities Act. Rule 103 permits passive market making activity by the participants in our common stock offering. Passive market making may occur before the pricing of our offering, or before the commencement of offers or sales of our common stock. Each passive market maker must comply with applicable volume and price limitations and must be identified as a passive market maker. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for the security. If all independent bids are lowered below the bid of the passive market maker, however, the bid must then be

lowered when purchase limits are exceeded. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in the common stock during a specified period and must be discontinued when that limit is reached. The underwriters and other dealers are not required to engage in passive market making and may end passive market making activities at any time.

Electronic Distribution

This offering circular may be made available in electronic format on one or more websites or through other online services maintained by the underwriters or by their respective affiliates. Other than the offering circular in electronic format, information on such websites and any information contained in any other website maintained by any of the underwriters or any of their affiliates is not part of this offering circular, has not been approved or endorsed by us or any of the underwriters in their capacity as underwriter and should not be relied on by investors.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

VALIDITY OF COMMON STOCK

The validity of the shares of our common stock offered hereby will be passed upon for us by Stevens & Lee, P.C., Philadelphia, Pennsylvania. The validity of the shares of common stock offered hereby will be passed upon for the underwriters by Silver, Freedman, Taff & Tiernan LLP, Washington, D.C.

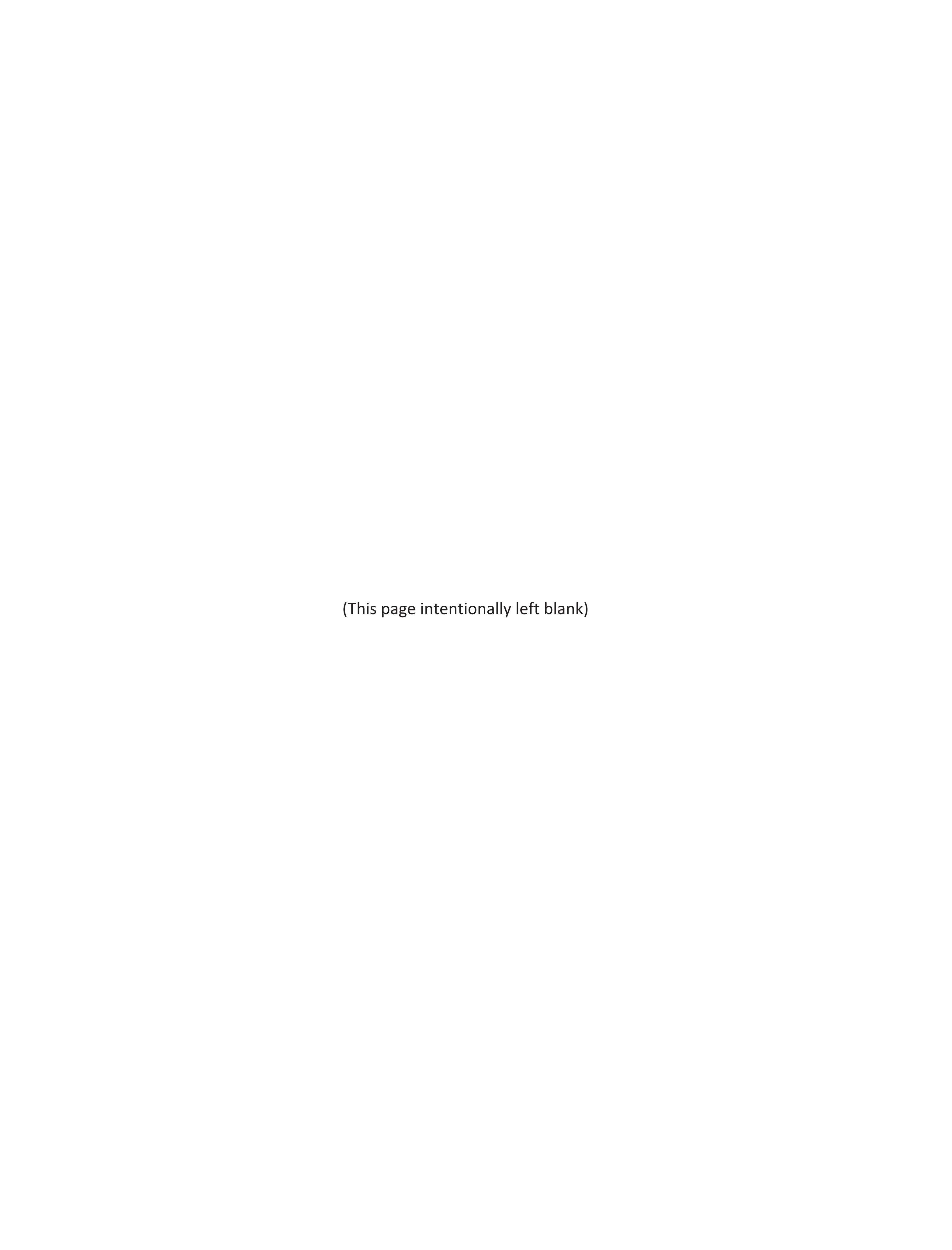
EXPERTS

The consolidated financial statements of Meridian Bank as of and for the years ended December 31, 2016 and 2015, have been included in the offering circular in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

Upon completion of the offering, we will become subject to the informational and reporting requirements of the Exchange Act and, in accordance with those requirements, will file reports and proxy and information statements with the FDIC. You will be able to inspect and copy these reports and proxy and information statements and other information at the addresses set forth below. Those filings will also be available to the public on, or accessible through, our website under the heading "Investor Relations" at www.meridianbanker.com. The information we file with the FDIC or contained on or accessible through our corporate website or any other website we may maintain is not part of this offering circular. We intend to furnish to our shareholders our annual reports containing our audited consolidated financial statements certified by an independent public accounting firm.

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



(This page intentionally left blank)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Financial Statements	
Audited Financial Statements:	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2016 and 2015	F-3
Consolidated Statements of Income for the years ended December 31, 2016 and 2015	F-4
Consolidated Statements of Comprehensive Income for the years ended December 31, 2016 and 2015	F-5
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2016 and 2015	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015	F-7
Notes to Consolidated Financial Statements	F-8
Unaudited Financial Statements:	
Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016	F-51
Consolidated Statements of Income for the Six Months Ended June 30, 2017, and June 30, 2016	F-52
Consolidated Statements of Comprehensive Income for the Six Months Ended June 30, 2017, and June 30, 2016	F-53
Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2017, and June 30, 2016	F-54
Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2017, and June 30, 2016	F-55
Notes to Consolidated Financial Statements	F-56

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Meridian Bank:

We have audited the accompanying consolidated balance sheets of Meridian Bank and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Meridian Bank and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Philadelphia, Pennsylvania
March 31, 2016
(except, September 25, 2017 as to Note 2, 19 and 20)

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

Meridian Bank and Subsidiaries

Consolidated Balance Sheets
December 31, 2016 and 2015

(in thousands, except share data)		2016	2015
Cash and due from banks	$	18,478	19,121
Federal funds sold		394	38
Cash and cash equivalents		18,872	19,159
Securities available-for-sale, amortized cost of $33,501 in 2016 and $24,216 in 2015		33,027	24,092
Securities held-to-maturity, fair value of $14,344 in 2016 and $15,799 in 2015		14,525	15,647
Mortgage loans held for sale, amortized cost of $39,263 in 2016 and $82,542 in 2015		39,573	83,684
Loans, net of fees and costs (includes $9,316 of loans at fair value, amortized cost of $9,207)		604,291	500,744
Allowance for loan losses		(5,425)	(5,298)
Loans, net of the allowance for loan losses		598,866	495,446
Restricted investment in bank stock		7,355	7,215
Bank premises and equipment, net		8,716	6,151
Bank owned life insurance		4,994	4,869
Accrued interest receivable		2,123	1,950
Other real estate owned		—	189
Deferred income taxes		1,270	414
Other assets		4,372	4,528
Total assets	$	733,693	663,344
Liabilities:			
Deposits:			
Noninterest bearing	$	96,102	60,500
Interest-bearing		431,034	430,068
Total deposits		527,136	490,568
Short-term borrowings		105,553	85,825
Long-term debt		12,800	15,600
Subordinated debentures		13,376	13,445
Accrued interest payable		194	159
Other liabilities		4,671	4,826
Total liabilities		663,730	610,423
Stockholders' equity:			
Preferred stock, no stated par value. Authorized 5,000,000 shares; liquidation preference of $1,000 per share, 12,845 outstanding (total preferred stock liquidation value $12,845)		12,845	12,845
Common stock, $1 par value. Authorized 10,000,000 shares; issued and outstanding 3,685,368 and 2,597,547 shares as of December 31, 2016 and 2015, respectively.		3,685	2,598
Surplus		39,887	24,404
Retained earnings		13,854	13,154
Accumulated other comprehensive loss		(308)	(80)
Total stockholders' equity		69,963	52,921
Total liabilities and stockholders' equity	$	733,693	663,344

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Income
Years ended December 31, 2016 and 2015

(dollars in thousands)

		2016	2015
Interest income:			
Loans, including fees	$	30,117	27,230
Securities:			
Taxable		372	374
Tax-exempt		426	321
Cash and cash equivalents		65	56
Total interest income		30,980	27,981
Interest expense:			
Deposits		3,470	3,104
Borrowings		1,722	1,486
Total interest expense		5,192	4,590
Net interest income		25,788	23,391
Provision for loan losses		1,198	1,434
Net interest income after provision for loan losses		24,590	21,957
Noninterest income:			
Mortgage banking income		41,431	33,665
Earnings on investment in life insurance		125	124
Net change in the fair value of derivative instruments		(122)	423
Net change in the fair value of loans held-for-sale		(833)	487
Net change in the fair value of loans held-for-investment		30	—
Gain (loss) on sale of investment securities available-for-sale		3	(32)
Service charges		66	49
Other		2,144	1,405
Total noninterest income		42,844	36,121
Noninterest expenses:			
Salaries and employee benefits		40,852	33,011
Occupancy and equipment		2,946	2,292
FDIC assessment		625	912
Professional fees		1,762	1,452
Data processing		1,146	932
Advertising and promotion		1,727	1,478
Loan expenses		6,686	5,610
Other		4,169	2,955
Total noninterest expenses		59,913	48,642
Income before income taxes		7,521	9,436
Income tax expense		2,599	3,248
Net income		4,922	6,188
Dividends on preferred stock		(1,156)	(1,099)
Net income for common stockholders	$	3,766	5,089
Basic earnings per common share	$	1.12	1.91
Diluted earnings per common share	$	1.11	1.88

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Comprehensive Income
Years ended December 31, 2016 and 2015

(dollars in thousands)

		2016	2015
Net income:	$	4,922	6,188
Other comprehensive income:			
Net change in unrealized gains on investment securities available for sale:			
Net unrealized gains arising during the period, net of tax (benefit) expense of ($123) and $12, respectively		(230)	22
Less: reclassification adjustment for net losses on sales realized in net income, net of tax (benefit) expense of ($1) and $11, respectively		2	21
Unrealized investment gains (losses), net of tax expense (benefit) of ($124) and $23, respectively		(228)	43
Total other comprehensive income		(228)	43
Total comprehensive income	$	4,694	6,231

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Stockholders' Equity
Years ended December 31, 2016 and 2015

(dollars in thousands)

	Preferred Stock	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2014	$ 12,845	2,405	21,849	8,065	(123)	45,041
Comprehensive income:						
Net income				6,188		6,188
Change in unrealized gains on securities available-for-sale, net of tax					43	43
Total comprehensive income						6,231
Dividends on preferred stock				(1,099)		(1,099)
Common stock dividend		—	—	—		—
Issuance of common stock		137	1,849			1,986
Notes repaid for common stock			195			195
Share-based awards and exercises		56	449			505
Excess tax benefit on share based awards			23			23
Compensation expense related to stock option grants			39			39
Balance, December 31, 2015	$ 12,845	2,598	24,404	13,154	(80)	52,921
Comprehensive income:						
Net income				4,922		4,922
Change in unrealized gains on securities available-for-sale, net of tax					(228)	(228)
Total comprehensive income						4,694
Dividends on preferred stock				(1,156)		(1,156)
Common stock dividend		175	2,891	(3,066)		—
Issuance of common stock		891	12,242			13,133
Notes repaid for common stock			52			52
Share-based awards and exercises		21	123			144
Compensation expense related to stock option grants			175			175
Balance, December 31, 2016	$ 12,845	3,685	39,887	13,854	(308)	69,963

See accompanying notes to financial statements.

Meridian Bank and Subsidiaries

Consolidated Statements of Cash Flows
Years ended December 31, 2016 and 2015

(dollars in thousands)

	2016	2015
December 31, 2016 and 2015		
Net income	$ 4,922	6,187
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain (loss) on sale of investment securities	3	(32)
Depreciation and amortization	1,788	815
Provision for credit losses	1,198	1,434
Compensation expense for stock options	175	39
Net change in fair value of loans held for sale	833	(487)
Net change in fair value of derivative instruments	122	(423)
Net (gain) loss on sale and write down of OREO and other repossessed property	24	(24)
Proceeds from sale of loans	994,951	822,349
Loans originated for sale	(910,239)	(826,816)
Mortgage banking income	(41,431)	(33,665)
Increase in accrued interest receivable	(173)	(650)
Decrease (increase) in other assets	932	(1,307)
Earnings from investment in life insurance	(125)	(124)
Increase in accrued interest payable	35	7
Deferred income tax (benefit) expense	(732)	215
Decrease in other liabilities	(155)	(1,254)
Net cash provided by (used in) operating activities	52,128	(33,736)
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Maturities, repayments and calls	6,321	11,318
Purchases	(16,235)	(16,134)
Activity in held-to-maturity securities:		
Maturities, repayments and calls	1,000	3,203
Purchases	—	(7,393)
Settlement of forward contracts	(965)	(821)
Increase in restricted stock	(140)	(1,570)
Net increase in loans	(104,618)	(21,061)
Purchases of premises and equipment	(3,542)	(1,324)
Proceeds from sale of OREO	165	233
Net cash used in investing activities	(118,014)	(33,549)
Cash flows from financing activities:		
Net increase in deposits	36,568	27,859
Increase in short term borrowings	15,728	44,844
Principal repayment of long term debt (subordinated debt)	(69)	—
Proceeds from long term debt (FHLB advances)	1,200	1,800
Issuance of common stock	13,133	1,986
Share based awards and exercises	144	505
Notes repaid (received) for common stock	52	195
Excess tax benefit on share based awards	—	23
Dividends paid on preferred stock	(1,156)	(1,099)
Net cash provided by financing activities	65,600	76,113
Net change in cash and cash equivalents	(286)	8,828
Cash and cash equivalents at beginning of year	19,158	10,330
Cash and cash equivalents at end of year	$ 18,872	19,158
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 5,157	4,583
Income taxes	2,722	3,696
Supplemental disclosure of noncash flow information:		
Available for sale securities purchased, not settled	$ —	756
Common stock dividend	3,066	—

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

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

(b) Estimates

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

(c) Significant Concentrations of Credit Risk

Most of the Bank's activities are with customers located within the tri-state area of Pennsylvania, Delaware and New Jersey. Note 2 discusses the types of securities that the Bank invests in. Note 3 discusses types of lending that the Bank engages in. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the region's economy. The Bank does not have any significant concentrations to any one industry or customer, however there is significant concentration of commercial real estate-backed loans, amounting to 38% and 34% of total loans held for investment, as of December 31, 2016 and December 31, 2015, respectively.

(d) Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are purchased or sold for one day periods. Cash balances required to meet regulatory reserve requirements of the Federal Reserve Board amounted to $5.7 million at December 31, 2016.

(e) Securities

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

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

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

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

The Bank's accounting policy specifies that (a) if the Bank does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired, unless there is a credit loss. When the Bank does not intend to sell the security, and it is more likely than not, the Bank will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. The Bank did not recognize any other-than-temporary impairment charges during the years ended December 31, 2016 and 2015.

(f) Loans Receivable

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

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

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

(g) Allowance for Loan Losses

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

all, or part, of the principal balance is highly unlikely. Charge-offs for retail consumer loans are generally made for any balance not adequately secured after 120 cumulative days past due.

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

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

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

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

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

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

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

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

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

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

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

(i) Other Real Estate Owned

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

(j) Restricted Investment in Bank Stock

Restricted bank stock is principally comprised of stock in the Federal Home Loan Bank of Pittsburgh (FHLB). Federal law requires a member institution of the FHLB to hold stock according

to a predetermined formula. As of December 31, 2016 and 2015, the Bank had an investment of $7,305,300 and $7,164,600, respectively, related to the FHLB stock. Also included in restricted stock is Atlantic Central Bankers Bank (primary correspondent bank) stock in the amount of $50,000 as of December 31, 2016 and 2015, respectively. All restricted stock is carried at cost.

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

Management believes no impairment charge is necessary related to the FHLB restricted stock as of December 31, 2016 or 2015.

(k) Transfers of Financial Assets

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

(l) Bank Premises and Equipment

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

(m) Advertising Costs

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

(n) Employee Benefit Plans

The Bank has a 401(k) Plan (the Plan) and an Employee Stock Ownership Plan (ESOP). All employees are eligible to participate in the Plan and ESOP after they have attained the age of 21 and have also completed 3 consecutive months of service. Employees must participate in the Plan to be eligible for participation in the ESOP. The employees may contribute to the Plan up to the maximum percentage allowable by law of their compensation. The Bank may make a discretionary matching contribution to the Plan and the ESOP. Full vesting in the Bank's contribution to the Plan and ESOP is over a three-year period. The Bank's contribution to the Plan and ESOP was $562,138 and $313,091, respectively for the year ended December 31, 2016 and $447,817 and $227,332, respectively for the year ended December 31, 2015. During the year ended December 31, 2016, 12,206 shares were purchased by the ESOP at an average market value of $15.50.

(o) Income Taxes

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

The Bank follows accounting guidance related to accounting for uncertainty in income taxes. Under the "more likely than not" threshold guidelines, the Bank believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. As of December 31, 2016 and 2015, the Bank had no material unrecognized tax benefits or accrued interest and penalties. The Bank's policy is to account for interest as a component of interest expense and penalties as a component of other expense. The Bank is no longer subject to examination by federal, state and local taxing authorities for years before January 1, 2013.

(p) Stock Compensation Plans

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

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

(q) Comprehensive Income

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

The components of other comprehensive income (loss) for the years ended December 31, 2016 and 2015 consist of unrealized holding gains and (losses) arising during the year on available-for-sale securities.

(r) Off-Balance Sheet Financial Instruments

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

(s) ***Derivative Financial Instruments***

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

(t) ***Subsequent Events***

The Bank has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 31, 2017, the date these financial statements were issued. Further, the Bank has evaluated subsequent events in connection with the re-issuance of the audited financial statements through September 25, 2017, the date these financial statements were issued. On January 18, 2017, the Bank entered into an asset purchase agreement to acquire HJ Wealth Management, LLC, a Pennsylvania-based wealth management firm. The acquisition closed on April 5, 2017.

(2) Earnings per Common Share

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

(dollars in thousands except per share data)	**Years Ended December 31,**	
	2016	**2015**
Numerator:		
Net income available to common shareholders	$ 3,766	$ 5,089
Denominator for basic earnings per share - weighted average shares outstanding	3,362	2,669
Effect of dilutive common shares	27	37
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	3,389	2,706
Basic earnings per share	$ 1.12	$ 1.91
Diluted earnings per share	$ 1.11	$ 1.88
Antidilutive shares excluded from computation of average dilutive earnings per share	96	—

(3) Securities

The amortized cost and approximate fair value of securities as of December 31, 2016 and 2015 are as follows:

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

(dollars in thousands)	2015			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Securities available-for-sale:				
U.S. government agency securities	$ 3,669	—	(62)	3,607
U.S. government agency mortgage-backed securities	15,584	25	(127)	15,482
U.S. government agency collateralized mortgage obligations	634	10	(4)	640
State and municipal securities	3,329	21	(4)	3,346
Investments in mutual funds and other equity securities	1,000	17	—	1,017
Total securities available-for-sale	$ 24,216	73	(197)	24,092
Securities held to maturity:				
U.S. Treasuries	$ 1,952	8	—	1,960
State and municipal securities	13,695	150	(6)	13,839
Total securities held-to-maturity	$ 15,647	158	(6)	15,799

At December 31, 2016, the Bank had thirteen U.S. Government sponsored agency mortgage-backed securities, two U.S. Government sponsored agency collateralized mortgage obligations and fourteen State and municipal securities in unrealized loss positions. At December 31, 2015, the Bank had five U.S. Government agency securities, ten U.S. Government sponsored agency mortgage-backed securities, one U.S. Government sponsored agency collateralized mortgage obligation and three State and municipal securities in unrealized loss positions. As of December 31, 2016, the Bank did not intend to sell these securities prior to recovery and it is more likely than not that the Bank will not be required to sell these securities prior to recovery to satisfy liquidity needs, and therefore, no securities are deemed to be other-than-temporarily impaired.

The following table shows the Bank's investment gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in continuous unrealized loss position at December 31, 2016 and 2015:

(dollars in thousands)	2016					
	Less than 12 Months		12 Months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Securities available-for-sale:						
U.S. government agency securities	$ —	—	—	—	—	—
U.S. government agency mortgage-backed securities	9,684	(198)	3,392	(31)	13,076	(229)
State and municipal securities	7,911	(287)	—	—	7,911	(287)
U.S. government agency collateralized mortgage obligations	1,167	(7)	—	—	1,167	(7)
Total securities available-for-sale	$ 18,762	(491)	3,392	(31)	22,154	(522)
Securities held-to-maturity:						
State and municipal securities	$ 9,853	(215)	—	—	9,853	(215)
U.S. Treasures						
Total securities held-to-maturity	$ 9,853	(215)	—	—	9,853	(215)

(dollars in thousands)	2015					
	Less than 12 Months		12 Months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Securities available-for-sale:						
U.S. government agency securities	$ —	—	3,607	(62)	3,607	(62)
U.S. government agency mortgage-backed securities	11,836	(102)	931	(25)	12,767	(127)
State and municipal securities	1,567	(4)	—	—	1,567	(4)
U.S. government agency collateralized mortgage obligations	—	—	254	(4)	254	(4)
Total securities available-for-sale	$ 13,403	(106)	4,792	(91)	18,195	(197)
Securities held-to-maturity:						
State and municipal securities	$ 1,126	(6)	—	—	1,126	(6)
Total securities held-to-maturity	$ 1,126	(6)	—	—	1,126	(6)

The amortized cost and carrying value of securities at December 31, 2016 are shown below by contractual maturities. Actual maturities may differ from contractual maturities as issuers may have the right to call or repay obligations with or without call or prepayment penalties.

(dollars in thousands)	Available-for-sale Amortized cost	Available-for-sale Fair value	Held-to-maturity Amortized cost	Held-to-maturity Fair value
Due in one year or less	$ 1,000	1,001	156	156
Due after one year through five years	2,267	2,241	2,969	2,973
Due after five years through ten years	5,833	5,718	6,341	6,245
Due after ten years	24,401	24,066	5,059	4,971
	$ 33,501	33,027	14,525	14,345

(4) Loans Receivable

Loans and leases outstanding at December 31, 2016 and 2015 are detailed by category as follows:

(dollars in thousands)	2016	2015
Mortgage loans held for sale	$ 39,573	83,684
Real estate loans:		
Commercial mortgage	225,564	168,096
Home equity lines and loans	85,385	85,288
Residential mortgage	30,295	25,378
Construction	65,846	55,182
Total real estate loans	407,090	333,944
Commercial and industrial	196,091	164,346
Consumer	450	417
Leases, net	1,469	1,389
Total portfolio loans and leases	605,100	500,096
Total loans and leases	$ 644,673	583,780
Loans with predetermined rates	$ 193,378	214,056
Loans with adjustable or floating rates	451,295	369,724
Total loans and leases	$ 644,673	583,780
Net deferred loan origination (fees) costs	$ (809)	648

Components of the net investment in leases at December 31, 2016 and 2015 are detailed as follows:

(dollars in thousands)	2016	2015
Minimum lease payments receivable	$ 1,549	1,461
Unearned lease income	(81)	(72)
Total	$ 1,469	1,389

Age Analysis of Past Due Loans and Leases

The following table presents an aging of the Bank's loan and lease portfolio as of December 31, 2016 and 2015, respectively:

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

As of December 31, 2016, there were three leases that were 90 days past due and still accruing.

December 31, 2015	30-89 Days past due	Over 89 days past due and nonaccrual loans	Total past due	Current	Total loans and leases	Delinquency percentage
Commercial mortgage	$ -	808	808	167,288	168,096	0.48%
Home equity lines and loans	347	208	555	84,733	85,288	0.65
Residential mortgage	316	818	1,134	24,244	25,378	4.47
Construction	-	439	439	54,743	55,182	0.80
Commercial and industrial	1,252	1,443	2,695	161,651	164,346	1.64
Consumer	-	-	—	417	417	—
Leases	241	38	279	1,110	1,389	20.09
	$ 2,156	3,754	5,910	494,186	500,096	1.18%

As of December 31, 2015, there was one lease that was 90 days past due and still accruing.

(5) Allowance for Loan Losses (the Allowance)

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

The following table details the roll-forward of the Bank's allowance, by portfolio segment, as of December 31, 2016 and 2015, respectively:

December 31, 2016

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

December 31, 2015

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Balance, December 31, 2014	$	1,634	456	207	912	1,718	6	11	64	5,008
Charge-offs		—	(243)	(281)	—	(1,152)	—	—	—	(1,676)
Recoveries		—	4	3	492	21	12	—	—	532
Provision for loan and lease losses		1	238	325	(704)	1,660	(16)	(6)	(64)	1,434
Balance, December 31, 2015	$	1,635	455	254	700	2,247	2	5	—	5,298

Allowance for Loan and Lease Losses Allocated by Portfolio Segment

The following table details the allocation of the allowance for loan and lease losses by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of December 31, 2016 and 2015, respectively:

December 31, 2016

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Allowance on loans and leases:										
Individually evaluated for impairment	$	11	—	13	—	297	—	—	—	321
Collectively evaluated for impairment		2,026	460	72	690	1,676	2	5	172	5,104
Total	$	2,038	460	85	690	1,973	2	5	172	5,425

December 31, 2015

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Allowance on loans and leases:										
Individually evaluated for impairment	$	1	—	162	—	581	—	—	—	744
Collectively evaluated for impairment		1,634	455	92	700	1,666	2	5	—	4,554
Total	$	1,635	455	254	700	2,247	2	5	—	5,298

The following table details the carrying value for loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of December 31, 2016 and 2015, respectively:

December 31, 2016

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

December 31, 2015

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Total
Carrying value of loans and leases:									
Individually evaluated for impairment	$	1,746	208	806	439	2,850	—	—	6,049
Collectively evaluated for impairment		166,350	85,080	24,572	54,743	161,496	417	1,389	494,047
Total	$	168,096	25,288	25,378	55,182	164,346	417	1,389	500,096

Loans and Leases by Credit Ratings

As part of the process of allocating the Allowance to the different segments of the loan and lease portfolio, Management considers certain credit quality indicators. For the commercial mortgage, construction and commercial and industrial loan segments, periodic reviews of the individual loans are performed by

Management. The results of these reviews are reflected in the risk grade assigned to each loan. These internally assigned grades are as follows:

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

The following table details the carrying value of loans and leases by portfolio segment based on the credit quality indicators used to allocate the allowance for loan and lease losses as of December 31, 2016 and 2015, respectively:

December 31, 2016 *(dollars in thousands)*	**Pass**	**Special mention**	**Substandard**	**Doubtful**	**Total**
Commercial mortgage	$ 217,249	6,854	1,461	—	225,564
Home equity lines and loans	85,253	—	132	—	85,385
Construction	63,406	2,221	—	219	65,846
Commercial and industrial	188,496	3,157	3,861	577	196,091
Total	$ 554,404	12,232	5,454	796	572,886

December 31, 2015

(dollars in thousands)	Pass	Special mention	Substandard	Doubtful	Total
Commercial mortgage	$ 160,538	5,812	1,746	—	168,096
Home equity lines and loans	85,080	—	208	—	85,288
Construction	51,821	2,922	439	—	55,182
Commercial and industrial	153,331	8,165	2,243	607	164,346
Total	$ 450,770	16,899	4,636	607	472,912

In addition to the allocations based on the credit quality indicators as shown in the above tables, allowance allocations for residential mortgages, consumer loans and leases are also applied based on their performance status as December 31, 2016 and 2015, respectively. No troubled Debt Restructurings performing according to modified terms are included in Performing Residential mortgage below for the twelve months ended December 31, 2016 and 2015, respectively.

December 31, 2016

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

December 31, 2015

(dollars in thousands)	Residential mortgage	Consumer	Leases	Total
Performing	$ 24,572	417	1,389	26,378
Nonperforming	806	—	—	806
Total	$ 25,378	417	1,389	27,184

Impaired Loans

The following tables detail the recorded investment and principal balance of impaired loans by portfolio segment, their related allowance for loan and lease losses and interest income recognized for the periods. No interest income was recognized on a cash-basis in 2016 or 2015.

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

(dollars in thousands) December 31, 2015		Recorded investment	Principal balance	Related allowance	Average principal balance
Impaired loans with related allowance:					
Commercial mortgage	$	131	131	1	132
Commercial and industrial		1,201	1,234	581	1,188
Home equity lines and loans		—	—	—	—
Residential mortgage		806	806	162	806
Construction		—	—	—	—
Total		2,138	2,171	744	2,126
Impaired loans without related allowance:					
Commercial mortgage	$	1,615	2,024	—	2,058
Commercial and industrial		1,649	1,649	—	1,622
Home equity lines and loans		208	208	—	210
Residential mortgage		—	—	—	—
Construction		439	439	—	439
Total		3,911	4,320	—	4,329
Grand total	$	6,049	6,491	744	6,455

Troubled Debt Restructuring

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

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

The balance of TDRs at December 31, 2016 and 2015 are as follows:

(dollars in thousands)

		2016	2015
TDRs included in nonperforming loans and leases	$	3,482	2,659
TDRs in compliance with modified terms		2,279	2,658
Total TDRs	$	5,761	5,317

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

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

The following table presents information regarding loan and lease modifications granted during the twelve months ended December 31, 2015 that were categorized as TDRs:

($ in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Related Allowance
Real Estate:				
Commercial mortgage	4	1,351	1,351	-
Commercial and industrial	3	437	437	-
	7	1,788	1,788	-
Contracts that subsequently defaulted:				
Real Estate:				
Commercial mortgage	1	35	35	-
Commercial and industrial	3	594	594	293
	4	629	629	293

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

The following tables present information regarding the types of loan and lease modifications made for the twelve months ended December 31, 2016 and 2015:

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

December 31, 2015	Interest Rate Change	Loan Term Extension	Interest Rate Change and Loan Term Extension	Interest-Only Period
Commercial mortgage	1	3	1	-
Commercial and industrial	-	5	-	1
Total	1	8	1	1

(6) Bank Premises and Equipment

The components of premises and equipment at December 31, 2016 and 2015 are as follows:

(dollars in thousands)	2016	2015
Building	$ 3,448	3,504
Leasehold improvements	681	379
Land	600	600
Land Improvements	198	212
Furniture, fixtures and equipment	910	459
Computer equipment and data processing software	2,879	997
	$ 8,716	6,151

Total accumulated depreciation at December 31, 2016 totaled $3,662,000 and $2,685,000 at December 31, 2015.

(7) Deposits

The components of deposits at December 31, 2016 and 2015 are as follows:

(dollars in thousands)	2016	2015
Demand, noninterest bearing	$ 96,102	60,500
Demand, interest-bearing	70,582	67,584
Savings Accounts	180	64
Money market accounts	173,869	178,710
Time, $100,000 and over	177,866	174,394
Time, other	8,536	9,316
Total	$ 527,136	490,568

At December 31, 2016, the scheduled maturities of time deposits are as follows (in thousands):

2017	$ 147,705
2018	31,680
2019	6,049
2020	598
2021	369
	$ 186,402

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

The Bank's short-term borrowings generally consist of federal funds purchased and short-term borrowings extended under agreements with Federal Home Loan Bank of Pittsburgh. The Bank has two Federal Funds borrowing facilities with correspondent banks: one of $10,000,000 and one of $16,000,000, respectively. The first $5,000,000 and $11,000,000, respectively, borrowed under each facility is unsecured and the remaining balance would be secured by securities safe-kept with the correspondent banks. Federal funds purchased generally represent one-day borrowings. The Bank had no Federal funds purchased at December 31, 2016 or December 31, 2015, respectively. The Bank also has a facility with the Federal Reserve discount window of $13,052,768. This facility is secured by investment securities and loans. There were no borrowings under this facility at December 31, 2016.

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

Short-term borrowings as of December 31, 2015 consisted of short-term advances from FHLB of Pittsburgh in the amount of $25,612,500 with interest at 0.54%, $12,500,000 with interest at 0.43% and $47,712,300 with interest at 0.43%, respectively.

Long-term debt at December 31, 2016 consisted of the following fixed rate notes with the FHLB of Pittsburgh:

(dollars in thousands)	Maturity date	Interest rate	Balance at December 31, 2016	Balance at December 31, 2015
Mid-term Repo-fixed	08/10/20	2.76%	5,000	5,000
Mid-term Repo-fixed	09/17/18	1.92%	2,500	2,500
Mid-term Repo-fixed	03/28/18	1.68%	1,000	1,000
Mid-term Repo-fixed	03/28/18	1.55%	1,300	1,300
Mid-term Repo-fixed	08/29/17	1.03%	—	4,000
Mid-term Repo-fixed	06/26/19	1.70%	1,800	1,800
Mid-term Repo-fixed	10/29/18	0.97%	1,200	—
			$ 12,800	15,600

The FHLB of Pittsburgh had issued $45,850,000 and $68,000,000 of letters of credit to the Bank for the benefit of the Bank's public deposit funds and loan customers as of December 31, 2016 and 2015, respectively. The letters of credit outstanding as of December 31, 2016 expire throughout 2017.

The Bank has a maximum borrowing capacity with the FHLB of Pittsburgh of $350,055,100 and $287,253,000 as of December 31, 2016 and 2015, respectively. All advances and letters of credit from the FHLB are secured by qualifying assets of the Bank.

(9) Subordinated Debentures

In December 2008, the Bank issued $550,000 of mandatory convertible unsecured subordinated debentures (2008 Debentures). The 2008 Debentures have a maturity date of December 18, 2023 and interest on the 2008 Debentures is paid quarterly at 6%. The 2008 Debentures are convertible into 1.05 shares of the Bank's common stock for every $15 in principal amount of the 2008 Debentures automatically on such date, if any, as accumulated losses of the Bank first exceed the sum of the retained earnings and capital surplus accounts of the Bank. The 2008 Debentures began to repay principal in eight equal installments which commenced in December of 2016. As of December 31, 2016 $481,250 of the 2008 Debentures remained outstanding.

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

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

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

The 2008, 2011, 2013 and 2014 Debentures are includable as Tier 2 capital for determining the Bank's compliance with regulatory capital requirements (see note 15). Upon conversion, the 2008, 2011 and 2013 Debentures become Tier 1 Capital.

(10) Preferred Stock

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

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

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

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

All series of the preferred stock qualify as Tier 1 capital. The preferred shares are nonvoting. The preferred shares are redeemable at any time at the option of the Bank.

(11) Lease Commitments

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

Total rental expense for the years ended December 31, 2016 and 2015 was $1,177,904 and $1,028,782, respectively. Future minimum lease payments by year and in the aggregate, under these lease agreements, are as follows:

Future minimum lease payments (in thousands):

2017	$ 1,051
2018	848
2019	779
2020	631
2021	575
Thereafter	2,477
	$ 6,360

(12) Stockholders' Equity and Stock Option Plan

On April 22, 2012, the Board of Directors approved a stock distribution in the form of a 5% stock dividend to stockholders of record as of April 22, 2012. If the Bank had accumulated profits (retained earnings), the Bank would have transferred the fair market value of the shares issued from retained earnings to common stock and the surplus. Since the Bank currently had an accumulated deficit at the time of the stock dividend, it transferred the par value of the shares issued from surplus to common stock.

On June 26, 2014, the Board of Directors approved a stock distribution in the form of a 5% stock dividend to stockholders of record as of June 27, 2014. Since the Bank had cumulative retained earnings, it transferred the fair market value of the shares issued from retained earnings to common stock and surplus.

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

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

The Bank has issued stock options under the 2004 Stock Option Plan, which is no longer in effect as of December 31, 2016. The Plan authorized the Board of Directors to grant options up to an aggregate of 446,091 shares, as adjusted for the 5% stock dividends in 2012, 2014 and 2016 to officers, other employees and directors of the Bank. No additional shares are available for future grants as of December 31, 2016. The shares granted under the Plan to directors are nonqualified options. The shares granted under the Plan to officers and other employees are "incentive stock options," and are subject to the limitations under Section 422 of the Internal Revenue Code.

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

The Bank has a 2016 Stock Option Plan, which authorizes the Board of Directors to grant options up to an aggregate of 186,900 shares, adjusted for the September 2, 2016 share dividend. No shares have been granted under the 2016 plan through December 31, 2016. Future shares granted under the 2016 plan to directors are nonqualified options, while shares granted to officers and other employees are "incentive stock options", and are subject to the limitations under Section 422 of the Internal Revenue Code.

A summary of the status of the Bank's 2004 stock option plan as of December 31, 2016 and 2015, and the change in outstanding stock options during the years ended December 31, 2016 and 2015, as adjusted for the 5% stock dividends is represented below:

	Shares	Average exercise price
Outstanding at December 31, 2014	165,562	10.18
Exercised	(54,405)	8.58
Granted	8,914	14.29
Expired	(2,065)	8.38
Forfeited	(1,193)	11.60
Outstanding at December 31, 2015	116,813	11.45
Exercised	(36,177)	10.23
Granted	88,722	15.26
Expired	—	—
Forfeited	—	—
Outstanding at December 31, 2016	169,358	13.70
Exercisable at December 31, 2016	93,086	$ 12.64

The weighted average remaining contractual life of the outstanding stock options at December 31, 2016 is 7.9 years. The weighted average remaining life of options exercisable at December 31, 2016 is 6.9 years. The range of exercise prices is $9.88 to $16.19. The aggregate intrinsic value of options outstanding and exercisable was $428,960 as of December 31, 2016.

The fair value of each option granted in 2016 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk-free interest rate of 1.48%, expected life of 7 years, and expected volatility of 20.71%. The volatility percentage was based on the average expected volatility of similar public financial institutions in the Bank's market area. The weighted average fair value of options granted in 2016 was $3.83 per share.

The fair value of each option granted in 2015 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk-free interest rate of 1.89%, expected life of 7 years, and expected volatility of 25.47%. The volatility percentage was based on the average expected volatility of similar public financial institutions in the Bank's market area. The weighted average fair value of options granted in 2015 was $4.71 per share.

Total stock compensation cost for the years ended December 31, 2016 and 2015 was $175,437 and $69,141, respectively. During 2016 and 2015, there were no tax benefits recognized related to stock compensation cost.

As of December 31, 2016, there was no unrecognized compensation cost related to nonvested stock options.

(13) Federal Income Taxes

The components of the federal and state income tax expense for the years ended December 31, 2016 and 2015 are as follows:

(dollars in thousands)		2016	2015
Federal:			
Current	$	3,082	2,838
Deferred		(698)	207
		2,384	3,045
State:			
Current		249	195
Deferred		(34)	8
		215	203
Totals	$	2,599	3,248

A reconciliation of the statutory income tax at 34% to the income tax expense included in the statement of operations is as follows for 2016 and 2015:

(dollars in thousands)	2016		2015	
Federal income tax at statutory rate	2,557	34.0%	3,208	34.0%
State tax expense, net of federal benefit	142	1.9	134	1.4
Tax exempt interest	(151)	(2.0)	(102)	(1.1)
Bank owned life insurance	(42)	(0.6)	(42)	(0.4)
Incentive stock options	46	0.6	14	0.1
Other	47	0.6	36	0.4
Effective income tax rate	2,599	34.5%	3,248	34.4%

The components of the net deferred tax asset at December 31, 2016 and 2015 are as follows:

(dollars in thousands)	2016	2015
Deferred tax assets:		
Allowance for loan loss	$ 1,725	1,516
Foreclosed assets	—	25
Accrued incentive compensation	14	21
Accrued retirement	444	431
Unrealized loss on available for sale securities	167	43
Deferred rent	280	20
Mortgage repurchase reserve	115	—
Other	55	72
	2,800	2,128
Deferred tax liabilities:		
Property and equipment	(762)	(292)
Mortgage pipeline fair-value adjustment	(111)	(406)
Hedge instrument fair-value adjustment	(236)	(278)
Prepaid expenses	(43)	(47)
Deferred loan costs	(378)	(691)
	(1,530)	(1,714)
Net deferred tax asset	$ 1,270	414

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

on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deferred tax assets.

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

As of December 31, 2016, the Bank had an investment in low income housing tax credits of $980,356 on which it recognized tax credits of $14,051, amortization of $19,644 and tax benefits from losses of $8,347 during the year ended December 31, 2016.

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

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, their immediate families and affiliated companies (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. Loans receivable from related parties totaled $1,798,000 and $2,004,000 at December 31, 2016 and 2015, respectively. Advances and repayments during 2016 totaled $1,722,000 and $1,929,000 respectively. Advances and repayments during 2015 totaled $1,990,000 and $2,618,000 respectively. Deposits of related parties totaled $8,174,000 and $7,690,000 at December 31, 2016 and 2015, respectively. Subordinated debt held by related parties totaled $1,229,000 and $1,260,000 at December 31, 2016 and 2015, respectively.

The Bank paid legal fees of $31,000 and $28,000 to a law firm of a director for the years ended December 31, 2016 and 2015, respectively.

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

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

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

A summary of the Bank's financial instrument commitments at December 31, 2016 and 2015 is as follows:

(dollars in thousands)		2016	2015
Commitments to grant loans and commitments under lines of credit	$	195,162	220,790
Letters of credit		1,806	4,473

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Outstanding letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Bank requires collateral supporting these letters of credit as deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of December 31, 2016 and 2015 for guarantees under standby letters of credit issues is not material.

Included in commitments to grant loans are mortgage loan commitments of $54,110,000 and $73,686,000 in 2016 and 2015, respectively, which included interest rate lock commitments. These rate lock commitments represent an agreement to extend credit to a mortgage loan applicant whereby the interest rate on the loan is set prior to funding. The loan commitment binds the Bank to lend funds to a potential borrower at the specified rate, regardless of whether interest rates change between the commitment date and the loan funding date. The Bank loan commitments generally range between 30-90 days; however, the borrower is not obligated to obtain the loans. As such, these commitments are subject to interest rate risk and related price risk during the period from interest rate lock commitment through the loan funding date or expiration date. The Bank hedges its mandatory delivery channel using the forward sale of mortgage-backed securities, in addition to best-efforts forward sale commitments to substantially eliminate these risks. At December 31, 2016 and 2015, the Bank had a notional hedge amount of $25,500,000 and $32,000,000, respectively. At December 31, 2016 and 2015, the Bank had best efforts forward sale commitments to sell loans amounting to $27,128,000 and $40,935,000, respectively. The Bank is only obligated to settle the forward sale commitment if the loan closes in accordance with the terms of the interest rate lock commitment. The Bank's forward sale commitments generally expire within 90 days.

Loans sold under FHA or investor programs are subject to repurchase or indemnification if they fail to meet the origination criteria of those programs. In addition, loans sold to investors may be subject to repurchase or indemnification if the loan is two or three months delinquent during a set period that usually

varies from the first six months to a year after the loan is sold. At December 31, 2016 there were no indemnification or repurchase requests pending.

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

In the ordinary course of business, the Bank is subject to litigation, claims, and assessments that involve claims for monetary relief. Some of these are covered by insurance. Based upon information presently available to the Bank and its counsel, it is the Bank's opinion that any legal and financial responsibility arising from such claims will not have a material, adverse effect on its results of operations, financial condition or capital.

(16) Regulatory Matters

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2016, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2016, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios at December 31, 2016 and 2015 are presented below:

	2016					
(dollars in thousands)	Actual		For capital adequacy purposes *		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 89,396	13.51%	$ 57,071	8.625%	$ 66,169	10.00%
Common equity tier 1 capital (to risk-weighted assets)	57,426	8.68%	33,912	5.125%	43,010	6.50%
Tier 1 capital (to risk-weighted assets)	70,271	10.62%	43,837	6.625%	52,935	8.00%
Tier 1 capital (to average assets)	70,271	9.67%	29,055	4.000%	36,318	5.00%

	2015					
(dollars in thousands)	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 71,744	12.58%	$ 45,622	8.00%	$ 57,028	10.00%
Common equity tier 1 capital (to risk-weighted assets)	40,155	7.04%	25,662	4.50%	37,068	6.50%
Tier 1 capital (to risk-weighted assets)	53,001	9.29	34,217	6.00	45,622	8.00%
Tier 1 capital (to average assets)	53,001	8.39	25,257	4.00	31,571	5.00%

*Includes capital conservation buffer of 0.625%.

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

(17) Fair Value Measurements and Disclosures

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

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

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

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

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

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

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2016 and 2015 are as follows:

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

(dollars in thousands)	2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Securities available for sale:				
U.S. government agency securities	$ 3,607	—	3,607	—
U.S. government agency mortgage-backed securities	15,482	—	15,482	—
U.S. government agency collateralized mortgage obligations	640	—	640	—
State and municipal securities	3,346	—	3,346	—
Investments in mutual funds and other equity securities	1,017	—	1,017	—
Mortgage loans held-for-sale	83,684	—	83,684	—
Interest rate lock commitments	889	—	889	—
Total	$ 108,665	—	108,665	—

Assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2016 and 2015 are as follows:

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

(dollars in thousands)	2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Impaired loans (2)	$ 6,049	—	—	6,049
Other real estate owned (1)	189	—	—	189
Total	$ 6,238	—	—	6,238

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

(2) Impaired loans are those in which the Bank has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon

the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

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

(a) Cash and Cash Equivalents

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

(b) Securities

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

(c) Mortgage Loans for Sale

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

(d) Loans Receivable

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

(e) Impaired Loans

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

(f) Restricted Investment in Bank Stock

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

(g) Accrued Interest Receivable and Payable

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

(h) Deposit Liabilities

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

(i) Short-Term Borrowings

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

(j) Long-Term Debt

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

(k) Subordinated Debt

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

(l) Off-Balance Sheet Financial Instruments

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

The estimated fair values of the Bank's financial instruments at December 31, 2016 and 2015 are as follows:

(dollars in thousands)	Fair Value Hierarchy Level	2016 Carrying amount	2016 Fair value	2015 Carrying amount	2015 Fair value
Financial assets:					
Cash and cash equivalents	Level 1	$ 18,872	18,872	19,159	19,159
Securities available-for-sale	Level 2	33,027	33,027	24,092	24,092
Securities held to maturity	Level 2	14,525	14,345	15,647	15,799
Loans held for sale	Level 2	39,573	39,573	83,684	83,684
Loans receivable, net	Level 3	598,866	588,140	495,446	489,883
Derivative financial instruments	Level 2	677	677	889	889
Restricted investment in bank stock	Level 3	7,355	7,355	7,215	7,165
Accrued interest receivable	Level 3	2,123	2,123	1,950	1,950
Financial liabilities:					
Deposits	Level 2	527,136	517,854	490,568	490,606
Short-term borrowings	Level 2	105,553	105,553	85,825	85,825
Long-term debt	Level 2	12,800	12,818	15,600	15,732
Subordinated debentures	Level 2	13,376	12,887	13,445	12,933
Accrued interest payable	Level 2	194	194	159	159
Derivative financial instruments	Level 2	15	15	105	105

Off-balance sheet financial instruments:		2016 Notional amount	2016 Fair value	2015 Notional amount	2015 Fair value
Commitments to extend credit	Level 2	195,162	677	220,790	889
Letters of credit	Level 2	1,806	—	4,473	—

(18) Derivative Financial Instruments

Mortgage Banking Derivatives

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

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

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

	December 31, 2016		December 31, 2015	
	Notional Amount	Asset (Liability) Fair Value	Notional Amount	Asset (Liability) Fair Value
	(dollars in thousands)			
Interest Rate Lock Commitments				
Positive fair values	$ 50,423	$ 721	$ 70,420	$ 929
Negative fair values	3,687	(44)	3,266	(40)
Net interest rate lock commitments	$ 54,110	$ 677	$ 73,686	$ 889
Forward Commitments				
Positive fair values	$ 9,750	$ 61	$ 4,000	$ 13
Negative fair values	15,750	(76)	28,000	(118)
Net forward commitments	$ 25,500	$ (15)	$ 32,000	$ (105)
Net derivative fair value asset	$ 79,610	$ 662	$ 105,686	$ 784

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

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

	Year Ended December 31	
	2016	2015
	(dollars in thousands)	
Interest rate lock commitments	$ (212)	$ 371
Forward commitments	90	53
Net fair value (losses)gains on derivative financial instruments	$ (122)	$ 424

Realized losses on derivatives were $965,000 and $821,000 for the year ended December 31, 2016 and 2015, respectively.

(19) Other Business Lines

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

Our Banking segment consists of commercial and retail banking. The Banking segment is evaluated as a single strategic unit which generates revenues from a variety of products and services. The Banking segment generates interest income from its lending (including leasing) and investing activities and is dependent on the gathering of lower cost deposits from its branch network or borrowed funds from other sources for funding its loans, resulting in the generation of net interest income. The Banking segment also derives revenues from other sources including gains on the sale of available for sale investment securities, gains on the sale of residential mortgage loans, service charges on deposit accounts, cash sweep fees, overdraft fees, BOLI income and wealth management services.

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

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

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

Meridian Bank and Subsidiaries

Consolidated Balance Sheets (unaudited)

(in thousands, except share data)		(unaudited) **June 30, 2017**	**December 31, 2016**
Cash and due from banks	$	9,877	18,478
Federal funds sold		472	394
Cash and cash equivalents		10,349	18,872
Securities available-for-sale, amortized cost of $37,452 and $33,501 as of June 30, 2017 and December 31, 2016, respectively.		37,449	33,027
Securities held-to-maturity, fair value of $13,739 and $14,344 as of June 30, 2017 and December 31, 2016, respectively.		13,578	14,525
Mortgage loans held for sale, amortized cost of $35,884 in 2017 and $39,263 in 2016		36,411	39,573
Loans, net of fees and costs (includes $9,149 and $9,316 of loans at fair value, amortized cost of $9,004 and $9,207 as of June 30,2017 and December 31, 2016, respectively.)		648,398	604,291
Allowance for loan losses		(6,214)	(5,425)
Loans, net of the allowance for loan losses		642,184	598,866
Restricted investment in bank stock		7,615	7,355
Bank premises and equipment, net		8,915	8,716
Bank owned life insurance		11,105	4,994
Accrued interest receivable		2,158	2,123
Other real estate owned		—	—
Deferred income taxes		1,121	1,270
Goodwill and intangible assets		5,640	—
Other assets		4,136	4,372
Total assets	$	780,661	733,693
Liabilities:			
Deposits:			
Noninterest bearing	$	97,994	96,102
Interest-bearing		461,525	431,034
Total deposits		559,519	527,136
Short-term borrowings		116,842	105,553
Long-term debt		12,975	12,800
Subordinated debentures		13,376	13,376
Accrued interest payable		178	194
Other liabilities		6,633	4,671
Total liabilities		709,523	663,730
Stockholders' equity:			
Preferred stock, no stated par value. Authorized 5,000,000 shares; liquidation preference of $1,000 per share, 12,845 outstanding (total preferred stock liquidation value $12,845)		12,845	12,845
Common stock, $1 par value. Authorized 10,000,000 shares; issued and outstanding 3,686,405 and 3,685,368 shares as of June 30, 2017 and December 31, 2016.		3,686	3,685
Surplus		39,986	39,887
Retained earnings		14,622	13,854
Accumulated other comprehensive loss		(1)	(308)
Total stockholders' equity		71,138	69,963
Total liabilities and stockholders' equity	$	780,661	733,693

Meridian Bank and Subsidiaries

Consolidated Statements of Income (unaudited)
Six Months ended June 30, 2017 and 2016

(dollars in thousands)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Interest income:		
Loans, including fees	$ 16,224	14,306
Securities:		
Taxable	223	191
Tax-exempt	232	203
Cash and cash equivalents	41	37
Total interest income	16,720	14,737
Interest expense:		
Deposits	1,872	1,729
Borrowings	1,085	771
Total interest expense	2,957	2,500
Net interest income	13,763	12,237
Provision for loan losses	780	307
Net interest income after provision for loan losses	12,983	11,930
Noninterest income:		
Mortgage banking income	15,185	17,691
Wealth management income	972	157
Earnings on investment in life insurance	111	63
Net change in the fair value of derivative instruments	388	656
Net change in the fair value of loans held-for-sale	217	217
Net change in the fair value of loans held-for-investment	41	—
Gain on sale of investment securities available-for-sale	4	—
Service charges	40	28
Other	113	(134)
Total noninterest income	17,071	18,678
Noninterest expenses:		
Salaries and employee benefits	19,423	18,280
Occupancy and equipment	1,826	1,380
FDIC assessment	296	483
Professional fees	903	606
Data processing	534	553
Advertising and promotion	940	700
Loan expenses	2,008	3,123
Other	2,113	1,900
Total noninterest expenses	28,043	27,025
Income before income taxes	2,011	3,583
Income tax expense	665	1,260
Net income	1,346	2,323
Dividends on preferred stock	(578)	(578)
Net income for common stockholders	$ 768	1,745
Basic earnings per common share	$ 0.21	0.56
Diluted earnings per common share	$ 0.21	0.55

- -

Meridian Bank and Subsidiaries

Consolidated Statements of Comprehensive Income (unaudited)
Six months ended June 30, 2017 and 2016

(dollars in thousands)		Six Months Ended June 30,	
		2017	**2016**
Net income:	$	1,346	2,323
Other comprehensive income:			
Net change in unrealized gains on investment securities available for sale:			
Net unrealized gains arising during the period, net of tax expense of $166 and $214, respectively		310	395
Less: reclassification adjustment for net gains on sales realized in net income, net of tax expense of $1 and $0, respectively		(3)	—
Unrealized investment gains, net of tax expense of $167 and $214, respectively		307	395
Total other comprehensive income		307	395
Total comprehensive income	$	1,653	2,718

Meridian Bank and Subsidiaries

Consolidated Statements of Stockholders' Equity (unaudited)
Six months ended June 30, 2017 and 2016

(dollars in thousands)

		Preferred Stock	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2015	$	12,845	2,598	24,404	13,154	(80)	52,921
Comprehensive income:							
Net income					2,323		2,323
Change in unrealized gains on securities available-for-sale, net of tax						395	395
Total comprehensive income							2,718
Dividends on preferred stock					(578)		(578)
Issuance of common stock			891	12,248			13,139
Notes repaid for common stock				43			43
Compensation expense related to stock option grants				119			119
Balance, June 30, 2016	$	12,845	3,489	36,814	14,899	315	68,362
Balance, December 31, 2016	$	12,845	3,685	39,887	13,854	(308)	69,963
Comprehensive income:							
Net income					1,346		1,346
Change in unrealized gains on securities available-for-sale, net of tax						307	307
Total comprehensive income							1,653
Dividends on preferred stock					(578)		(578)
Share-based awards and exercises			1	9			10
Compensation expense related to stock option grants				90			90
Balance, June 30, 2017	$	12,845	3,686	39,986	14,622	(1)	71,138

Meridian Bank and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)
Six months ended June 30, 2017 and 2016

(dollars in thousands)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
June 30, 2017 and 2016		
Net income	$ 1,346	2,323
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of investment securities	4	—
Depreciation and amortization	1,083	790
Provision for credit losses	780	307
Compensation expense for stock options	90	119
Net change in fair value of loans held for sale	(217)	(217)
Net change in fair value of derivative instruments	(388)	(656)
Net loss on sale and write down of OREO and other repossessed property	—	35
Proceeds from sale of loans	354,168	414,896
Loans originated for sale	(335,604)	(415,613)
Mortgage banking income	(15,185)	(17,691)
Increase in accrued interest receivable	(35)	(40)
Decrease in other assets	1,175	282
Earnings from investment in life insurance	(111)	(63)
Increase in accrued interest payable	(16)	(1)
Increase in other liabilities	1,962	1,847
Net cash provided by (used in) operating activities	9,052	(13,682)
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Maturities, repayments and calls	1,901	1,271
Purchases	(6,144)	(9,342)
Activity in held-to-maturity securities:		
Maturities, repayments and calls	887	500
Purchases	—	—
Acquisition of wealth management company	(3,225)	
Settlement of forward contracts	(567)	(1,353)
(Increase) decrease in restricted stock	(260)	59
Net increase in loans	(44,098)	(42,626)
Purchases of premises and equipment	(873)	(2,235)
Purchase of bank owned life insurance	(6,000)	—
Net cash used in investing activities	(58,379)	(53,726)
Cash flows from financing activities:		
Net increase in deposits	32,383	40,849
Increase in short term borrowings	8,989	6,017
Issuance of common stock	—	13,139
Share based awards and exercises	10	—
Notes repaid (received) for common stock	—	43
Dividends paid on preferred stock	(578)	(578)
Net cash provided by financing activities	40,804	59,470
Net change in cash and cash equivalents	(8,523)	(7,938)
Cash and cash equivalents at beginning of period	18,872	19,159
Cash and cash equivalents at end of period	$ 10,349	11,221
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 2,973	2,501
Income taxes	82	722
Supplemental non-cash disclosure:		
Non-cash consideration paid for acquisition of wealth management company (purchaser note)	2,475	—

(1) Basis of Presentation

The unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). In the opinion of Meridian Bank's (the "Bank") management, all adjustments necessary for a fair presentation of the consolidated financial position and the results of operations for the interim periods presented have been included. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Bank's Annual Report for the twelve months ended December 31, 2016 (the "2016 Annual Report").

(2) Earnings per Common Share

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

(dollars in thousands except per share data)	Six Months Ended June 30,	
	2017	**2016**
Numerator:		
Net income available to common shareholders	$ 768	$ 1,745
Denominator for basic earnings per share - weighted average shares outstanding	3,686	3,117
Effect of dilutive common shares	26	29
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	3,712	3,146
Basic earnings per share	$ 0.21	$ 0.56
Diluted earnings per share	$ 0.21	$ 0.55
Antidilutive shares excluded from computation of average dilutive earnings per share	35	97

(3) Business Combinations

HJ Wealth Management, LLC ("HJ Wealth")

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

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

(dollars in thousands)

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

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

Through June 30, 2017, $708,000 of revenue is attributable to the acquisition.

All goodwill associated with the acquisition of HJ Wealth is included in the Banking segment in Footnote 14 to the financial statements.

(4) Goodwill and Other Intangibles

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

(dollars in thousands)

	Balance December 31, 2016	Additions/ Adjustments	Amortization	Balance June 30, 2017	Amortization Period (in years)
Goodwill - Wealth	$ -	$ 899	$ -	$ 899	Indefinite
Total	$ -	$ 899	$ -	$ 899	
Intangible assets - trade name	$ -	$ 266	$ -	$ 266	Indefinite
Intangible assets - customer relationships	-	4,083	(44)	4,039	20
Intangible assets - non competition agreements	-	275	(16)	259	4
Contingent asset	-	177	-	177	N/A
Total	$ -	$ 4,801	$ (60)	$ 4,741	
Grand total	$ -	$ 5,700	$ (60)	$ 5,640	

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

The Bank will perform its annual review of goodwill and identifiable intangible assets in the 4th quarter of 2017 in accordance with ASC 350, "Intangibles Goodwill and Other." For the six months ended June 30, 2017, the Bank determined there were no events that would necessitate impairment testing of goodwill and other intangible assets.

(5) Securities

The amortized cost and approximate fair value of securities as of June 30, 2017 and December 31, 2016 are as follows:

(dollars in thousands)	June 30, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Securities available-for-sale:				
U.S. government agency securities	$ —	—	—	—
U.S. government agency mortgage-backed securities	22,396	95	(139)	22,352
U.S. government agency collateralized mortgage obligations	4,738	4	(11)	4,731
State and municipal securities	9,318	94	(56)	9,356
Investments in mutual funds and other equity securities	1,000	10	—	1,010
Total securities available-for-sale	$ 37,452	203	(206)	37,449
Securities held to maturity:				
U.S. Treasuries	$ 1,971	11	—	1,982
State and municipal securities	11,607	159	(9)	11,757
Total securities held-to-maturity	$ 13,578	170	(9)	13,739

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

At June 30, 2017, the Bank had eleven U.S. Government sponsored agency mortgage-backed securities, two U.S. Government sponsored agency collateralized mortgage obligations and twenty-four State and municipal securities in unrealized loss positions. At December 31, 2016, the Bank had thirteen U.S. Government sponsored agency mortgage-backed securities, two U.S. Government sponsored agency collateralized mortgage obligations and fourteen State and municipal securities in unrealized loss positions. As of June 30, 2017, the Bank did not intend to sell these securities prior to recovery and it is more likely than not that the Bank will not be required to sell these securities prior to recovery to satisfy liquidity needs, and therefore, no securities are deemed to be other-than-temporarily impaired.

The following table shows the Bank's investment gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in continuous unrealized loss position at June 30, 2017 and December 31, 2016:

(dollars in thousands)	June 30th, 2017					
	Less than 12 Months		12 Months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Securities						
U.S. government agency securities	$ -	-	-	-	-	-
U.S. government agency mortgage-backed securities	11,485	111	4,044	38	15,529	149
State and municipal securities	5,272	65	-	-	5,272	65
U.S. government agency collateralized mortgage obligations	-	-	-	-	-	-
Total securities	$ 16,757	176	4,044	38	20,801	214

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

The amortized cost and carrying value of securities at June 30, 2017 are shown below by contractual maturities. Actual maturities may differ from contractual maturities as issuers may have the right to call or repay obligations with or without call or prepayment penalties.

(dollars in thousands)	June 30, 2017			
	Available-for-sale		Held-to-maturity	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$ 1,000	1,010	155	155
Due after one year through five years	3,759	3,786	3,401	3,417
Due after five years through ten years	7,978	8,053	6,189	6,284
Due after ten years	24,715	24,600	3,833	3,883
	$ 37,452	37,449	13,578	13,739

(6) Loans Receivable

Loans and leases outstanding at June 30, 2017 and December 31, 2016 are detailed by category as follows:

(dollars in thousands)	June 30, 2017	December 31, 2016
Mortgage loans held for sale	$ 36,411	39,573
Real estate loans:		
Commercial mortgage	245,933	225,564
Home equity lines and loans	84,357	85,385
Residential mortgage	31,932	30,295
Construction	82,898	65,846
Total real estate loans	445,120	407,090
Commercial and industrial	203,282	196,091
Consumer	432	450
Leases, net	1,071	1,469
Total portfolio loans and leases	649,905	605,100
Total loans and leases	$ 686,316	644,673
Loans with predetermined rates	$ 203,029	193,378
Loans with adjustable or floating rates	483,287	451,295
Total loans and leases	$ 686,316	644,673
Net deferred loan origination (fees) costs	$ (1,507)	(809)

Components of the net investment in leases at June 30, 2017 and December 31, 2016 are detailed as follows:

(dollars in thousands)	June 30, 2017	December 31, 2016
Minimum lease payments receivable	$ 1,123	1,550
Unearned lease income	(52)	(81)
Total	$ 1,071	1,469

Age Analysis of Past Due Loans and Leases

The following table presents an aging of the Bank's loan and lease portfolio as of June 30, 2017 and December 31, 2016, respectively:

(dollars in thousands)

June 30, 2017	30-89 Days past due	Over 89 days past due and nonaccrual loans	Total past due	Current	Total loans and leases	Delinquency percentage
Commercial mortgage	$ -	613	613	250,553	251,166	0.24%
Home equity lines and loans	236	168	404	83,926	84,330	0.48
Residential mortgage	801	298	1,099	30,860	31,959	3.44
Construction	-	219	219	77,446	77,665	0.28
Commercial and industrial	127	2,863	2,990	200,292	203,282	1.47
Consumer	-	-	—	432	432	—
Leases	233	34	267	804	1,071	24.93
	$ 1,397	4,195	5,592	644,313	649,905	0.86%

As of June 30, 2017, there were two leases with a total unpaid principal balance of $34,000 that were 90 days past due and still accruing.

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

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

(7) Allowance for Loan Losses (the Allowance)

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

The following table details the roll-forward of the Bank's allowance, by portfolio segment, as of June 30, 2017 and December 31, 2016:

June 30, 2017

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Balance, December 31, 2016	$	2,038	460	85	690	1,973	2	5	172	5,425
Charge-offs		(30)	(42)	—	—	(120)	—	—	—	(192)
Recoveries		16	(6)	2	2	187	—	—	—	201
Provision for loan and lease losses		399	(184)	(8)	696	46	—	3	(172)	780
Balance, June 30, 2017	$	2,423	228	79	1,388	2,086	2	8	—	6,214

December 31, 2016

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

Allowance for Loan and Lease Losses Allocated by Portfolio Segment

The following table details the allocation of the allowance for loan and lease losses by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of June 30, 2017 and December 31, 2016:

June 30, 2017

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Unallocated	Total
Allowance on loans and leases:										
Individually evaluated for impairment	$	26	—	—	—	33	—	—	—	59
Collectively evaluated for impairment		2,397	228	79	1,388	2,053	2	8	—	6,155
Total	$	2,423	228	79	1,388	2,086	2	8	—	6,214

December 31, 2016

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

The following table details the carrying value for loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of June 30, 2017 and December 31, 2016:

June 30, 2017

(dollars in thousands)		Commercial mortgage	Home equity	Residential mortgage	Construction	Commercial & industrial	Consumer	Leases	Total
Carrying value of loans and leases:									
Individually evaluated for impairment	$	3,440	168	258	487	4,685	—	—	9,038
Collectively evaluated for impairment		242,493	84,189	22,571	82,411	198,597	432	1,071	631,764
Total	$	245,933	84,357	22,829	82,898	203,282	432	1,071	640,802

December 31, 2016

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

Loans and Leases by Credit Ratings

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

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

The following table details the carrying value of loans and leases by portfolio segment based on the credit quality indicators used to allocate the allowance for loan and lease losses as of June 30, 2017 and December 31, 2016:

June 30, 2017 *(dollars in thousands)*	**Pass**	**Special mention**	**Substandard**	**Doubtful**	**Total**
Commercial mortgage	$ 237,382	7,651	900	—	245,933
Home equity lines and loans	84,190	—	168	—	84,358
Construction	81,039	1,639	—	219	82,897
Commercial and industrial	190,605	8,816	3,737	124	203,282
Total	$ 593,216	18,106	4,805	343	616,470

December 31, 2016

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

In addition to the allocations based on the credit quality indicators as shown in the above tables, allowance allocations for residential mortgages, consumer loans and leases are also applied based on their performance status as of June 30, 2017 and December 31, 2016. No Troubled debt restructurings performing according to modified terms are included in Performing Residential mortgages below as of June 30, 2017 and December 31, 2016.

June 30, 2017

(dollars in thousands)		Residential mortgage	Consumer	Leases	Total
Performing	$	22,692	432	1,071	24,195
Nonperforming		137	—	—	137
Total	$	22,829	432	1,071	24,332

December 31, 2016

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

Impaired Loans

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

(dollars in thousands) June 30, 2017		Recorded investment	Principal balance	Related allowance	Average principal balance
Impaired loans with related allowance:					
Commercial mortgage	$	75	75	26	80
Commercial and industrial		238	238	33	254
Home equity lines and loans		—	—	—	—
Residential mortgage		—	—	—	—
Construction		—	—	—	—
Total		313	313	59	334
Impaired loans without related allowance:					
Commercial mortgage	$	3,365	3,365	—	3,596
Commercial and industrial		4,447	4,447	—	4,716
Home equity lines and loans		168	308	—	328
Residential mortgage		258	258	—	258
Construction		487	487	—	520
Total		8,725	8,865	—	9,418
Grand total	$	9,038	9,178	59	9,752

(dollars in thousands)

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

Troubled Debt Restructuring

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

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

The balance of TDRs at June 30, 2017 and December 31, 2016 are as follows:

(dollars in thousands)

	June 30, 2017	December 31, 2016
TDRs included in nonperforming loans and leases	$ 3,284	3,482
TDRs in compliance with modified terms	2,239	2,279
Total TDRs	$ 5,523	5,761

The following table presents information regarding loan and lease modifications granted during the six months ended June 30, 2017 that were categorized as TDRs:

($ in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Related Allowance
Real Estate:				
Commercial and industrial	1	169	169	-
	1	169	169	-

No loan modifications granted during the six months ended June 30, 2017 subsequently defaulted during the same time period.

The following table presents information regarding loan and lease modifications granted during the six months ended June 30, 2016 that were categorized as TDRs:

($ in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Related Allowance
Real Estate:				
Commercial mortgage	2	407	407	46
	2	407	407	46

No loan modifications granted during the six months ended June 30, 2016 subsequently defaulted during the same time period.

The following tables present information regarding the types of loan and lease modifications made for the six months ended June 30, 2017 and the twelve months ended December 31, 2016:

June 30, 2017	Loan Term Extension
Commercial mortgage	-
Commercial and industrial	1
Total	1

June 30, 2016	Loan Term Extension	Interest Rate Change and Loan Term Extension
Commercial mortgage	1	1
Commercial and industrial	-	-
Total	1	1

(8) Deposits

The components of deposits at June 30, 2017 and December 31, 2016 are as follows:

(dollars in thousands)		June 30 2017	December 31 2016
Demand, noninterest bearing	$	97,994	96,102
Demand, interest-bearing		79,920	70,582
Savings Accounts		214	180
Money market accounts		209,611	173,870
Time, $100,000 and over		163,791	177,866
Time, other		7,989	8,536
Total	$	559,519	527,136

At June 30, 2017, the scheduled maturities of time deposits are as follows (in thousands):

2017	$ 147,118
2018	19,680
2019	4,124
2020	499
2021	359
	$ 171,780

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

The Bank's short-term borrowings generally consist of federal funds purchased and short-term borrowings extended under agreements with Federal Home Loan Bank of Pittsburgh. The Bank has two Federal Funds borrowing facilities with correspondent banks: one of $10,000,000 and one of $16,000,000, respectively. The first $5,000,000 and $11,000,000, respectively, borrowed under each facility is unsecured and the remaining balance would be secured by securities safe-kept with the correspondent banks. Federal funds purchased generally represent one-day borrowings. The Bank had $103 thousand and $0 Federal funds purchased at June 30, 2017 and December 31, 2016, respectively. The Bank also has a facility with the Federal Reserve discount window of $12,770,336. This facility is secured by investment securities and loans. There were no borrowings under this facility at June 30, 2017.

Short-term borrowings as of June 30, 2017 consisted of short-term advances from FHLB of Pittsburgh in the amount of $109,249,000 with interest at 1.24%, $1,190,000 with interest at 0.78% $4,000,000 with an original term of 5 years and interest at 1.03%, $1,000,000 with an original term of 4 years and interest at 1.68%, and $1,300,000 with an original term of 4 years and interest at 1.55%.

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

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

(dollars in thousands)	Maturity date	Interest Rate		Balance as of June 30, 2017	Balance as of December 31, 2016
Mid-term Repo-fixed	08/10/20	2.76%		5,000	5,000
Mid-term Repo-fixed	09/17/18	1.92%		2,500	2,500
Mid-term Repo-fixed	03/28/18	1.68%		—	1,000
Mid-term Repo-fixed	03/28/18	1.55%		—	1,300
Mid-term Repo-fixed	06/26/19	1.70%		1,800	1,800
Mid-term Repo-fixed	10/29/18	0.97%		1,200	1,200
Acquisition Purchase Note	04/01/20	3.00%		2,475	—
			$	12,975	12,800

The FHLB of Pittsburgh has also issued $36,600,000 of letters of credit to the Bank for the benefit of the Bank's public deposit funds and loan customers. These letters of credit expire throughout 2017.

The Bank has a maximum borrowing capacity with the FHLB of Pittsburgh of $321,872,750 as of June 30, 2017. All advances and letters of credit from the FHLB are secured by qualifying assets of the Bank.

(10) Stock-Based Compensation

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

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

The Bank has a 2016 Stock Option Plan, which authorizes the Board of Directors to grant options up to an aggregate of 186,900 shares, adjusted for the 2016 5% stock dividend. A total of 33,750 shares have been granted under the 2016 plan through June 30, 2017. Shares granted under the 2016 plan to directors are nonqualified options, while shares granted to officers and other employees are "incentive stock options", and are subject to the limitations under Section 422 of the Internal Revenue Code.

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

The following table provides information about options outstanding for the six months ended June 30, 2017:

	Shares		Average exercise price
Outstanding at December 31, 2016	169,358	$	13.70
Exercised	(1,037)		(9.88)
Granted	33,750		19.00
Expired	—		-
Forfeited	—		-
Outstanding at June 30, 2017	202,071		14.61
Exercisable at June 30, 2017	122,928	$	13.57

The weighted average remaining contractual life of the outstanding stock options at June 30, 2017 is 7.9 years. The weighted average remaining life of options exercisable at June 30, 2017 is 7.1 years. The range of exercise prices is $9.88 to $19.00. The aggregate intrinsic value of options outstanding and exercisable was $523,846 as of June 30, 2017.

The fair value of each option granted in 2017 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk-free interest rate of 2.19%, expected life of 7 years, and expected volatility of 19.69%. The volatility percentage was based on the average expected volatility of similar public financial institutions in the Bank's market area. The weighted average fair value of options granted in 2017 was $4.10 per share.

The fair value of each option granted in 2016 was estimated on the date of grant using the Black Scholes option pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk free interest rate of 1.48%, expected life of 7 years, and expected volatility of 20.71%. The volatility percentage was based on the average expected volatility of similar public financial institutions in the Bank's market area. The weighted average fair value of options granted in 2016 was $3.83 per share.

Total stock compensation cost for the six months ended June 30, 2017 was $90,423. During the six months ended June 30, 2017, there were no tax benefits recognized related to stock compensation cost.

As of June 30, 2017, there was no unrecognized compensation cost related to nonvested stock options.

(11) Accounting for Uncertainty in Income Taxes

The Bank recognizes the financial statement benefit of a tax position only after determining that the Bank would be more likely than not to sustain the position following an examination. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the relevant tax authority.

The Bank is subject to income taxes in the United States federal jurisdiction and multiple state jurisdictions. The Bank is no longer subject to U.S. federal income tax examination by taxing authorities for years before 2013.

The Bank's policy is to record interest and penalties on uncertain tax positions as income tax expense. No interest or penalties were accrued for the six month periods ended June 30, 2017. It is management's belief that there are no uncertain tax positions with respect to Federal or State tax returns to which the Bank is subject to examination.

(12) Fair Value Measurements and Disclosures

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

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

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

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

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

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

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2017 and December 31, 2016 are as follows:

(dollars in thousands)	June 30, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Securities available for sale:				
U.S. government agency securities	$ —	—	—	—
U.S. government agency mortgage-backed securities	22,352	—	22,352	—
U.S. government agency collateralized mortgage obligations	4,731	—	4,731	—
State and municipal securities	9,356	—	9,356	—
Investments in mutual funds and other equity securities	1,010	—	1,010	—
Mortgage loans held-for-sale	36,411	—	36,411	—
Loans held-for-investment	9,149	—	9,149	—
Interest rate lock commitments	938	—	938	—
Total	$ 83,947	—	83,947	—

(dollars in thousands)	December 31, 2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Securities available for sale:				
U.S. government agency securities	$ —	—	—	—
U.S. government agency mortgage-backed securities	21,481	—	21,481	—
U.S. government agency collateralized mortgage obligations	1,434	—	1,434	—
State and municipal securities	9,110	—	9,110	—
Investments in mutual funds and other equity securities	1,001	—	1,001	—
Mortgage loans held-for-sale	39,573	—	39,573	—
Loans held-for-investment	9,317	—	9,317	—
Interest rate lock commitments	677	—	677	—
Total	$ 82,593	—	82,593	—

Assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2017 and December 31, 2016 are as follows:

(dollars in thousands)	June 30, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Impaired loans (2)	$ 9,038	—	—	9,038
Total	$ 9,038	—	—	9,038

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

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

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

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

(a) Cash and Cash Equivalents

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

(b) Securities

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

(c) Mortgage Loans for Sale

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

(d) Loans Receivable

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

(e) Impaired Loans

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

(f) Restricted Investment in Bank Stock

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

(g) Accrued Interest Receivable and Payable

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

(h) Deposit Liabilities

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

(i) Short-Term Borrowings

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

(j) Long-Term Debt

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

(k) Subordinated Debt

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

(l) Off-Balance Sheet Financial Instruments

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

The estimated fair values of the Bank's financial instruments at June 30, 2017 and December 31, 2016 are as follows:

(dollars in thousands)	Fair Value Hierarchy Level	June 30, 2017 Carrying amount	June 30, 2017 Fair value	December 31, 2016 Carrying amount	December 31, 2016 Fair value
Financial assets:					
Cash and cash equivalents	Level 1	$ 10,349	10,349	18,872	18,872
Securities available-for-sale	Level 2	37,449	37,449	33,027	33,027
Securities held to maturity	Level 2	13,578	13,739	14,525	14,345
Loans held for sale	Level 2	36,411	36,411	39,573	39,573
Loans receivable, net	Level 3	642,184	637,059	598,866	588,140
Derivative financial instruments	Level 2	1,050	1,050	677	677
Restricted investment in bank stock	Level 3	7,615	7,615	7,355	7,355
Accrued interest receivable	Level 3	2,158	2,158	2,123	2,123
Financial liabilities:					
Deposits	Level 2	559,519	559,260	527,136	517,854
Short-term borrowings	Level 2	116,842	116,842	105,553	105,553
Long-term debt	Level 2	12,975	12,995	12,800	12,818
Subordinated debentures	Level 2	13,376	13,077	13,376	12,887
Accrued interest payable	Level 2	178	178	194	194
Derivative financial instruments	Level 2	—	—	15	15

(13) Derivative Financial Instruments

Mortgage Banking Derivatives

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

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

	June 30, 2017		December 31, 2016	
	Notional Amount	Asset (Liability) Fair Value	Notional Amount	Asset (Liability) Fair Value
	(dollars in thousands)			
Interest Rate Lock Commitments				
Positive fair values	$ 73,921	$ 970	$ 50,423	$ 721
Negative fair values	7,218	(31)	3,687	(44)
Net interest rate lock commitments	$ 81,139	$ 939	$ 54,110	$ 677
Forward Commitments				
Positive fair values	$ 39,000	$ 120	$ 9,750	$ 61
Negative fair values	5,000	(9)	15,750	(76)
Net forward commitments	$ 44,000	$ 111	$ 25,500	$ (15)
Net derivative fair value asset	$ 125,139	$ 1,050	$ 79,610	$ 662

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

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

	Six Months Ended June 30,	
	2017	2016
	(dollars in thousands)	
Interest rate lock commitments	$ 262	$ 1,064
Forward commitments	126	(408)
Net fair value (losses)gains on derivative financial instruments	$ 388	$ 656

Realized losses on derivatives were $567,000 and $1.4 million for the six months ended June 30, 2017 and 2016, respectively.

(14) Segments

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

Our Banking segment consists of commercial and retail banking. The Banking segment is evaluated as a single strategic unit which generates revenues from a variety of products and services. The Banking segment generates interest income from its lending (including leasing) and investing activities and is dependent on the gathering of lower cost deposits from its branch network or borrowed funds from other sources for funding its loans, resulting in the generation of net interest income. The Banking segment also derives revenues from other sources including gains on the sale of available for sale investment securities, gains on the sale of residential mortgage loans, service charges on deposit accounts, cash sweep fees, overdraft fees, BOLI income and wealth management services.

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

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

(dollars in thousands)	Six Months Ended June 30, 2017		
	Meridian Bank	Meridian Mortgage	Consolidated
Net interest income	$ 13,581	$ 182	$ 13,763
Provision for loan losses	(780)	-	(780)
Net interest income after provision	12,801	182	12,983
Non-interest Income			
Service charges on deposits	40	-	40
Other fee income	403	191	594
Wealth management	972	-	972
Mortgage fees (margin)	-	14,158	14,158
Mortgage document prep & processing fees	-	1,027	1,027
Boli income	111	-	111
Net change in the fair value of loans held-for-sale	-	217	217
Net change in the fair value of loans held-for-investment	-	41	41
Net change in the fair value of derivative instruments	-	388	388
Realized losses on derivative instruments	-	(567)	(567)
Gain on sale of loans	86	-	86
Gain on sale of securites	4	-	4
Total non-interest income	1,616	15,455	17,071
Non-interest Expense			
Salaries and employee benefits	7,082	12,341	19,423
Occupancy & equipment	1,116	710	1,826
Professional services	669	234	903
FDIC expense	296	-	296
Loan expenses	412	1,596	2,008
Other	2,496	1,091	3,587
Total non-interest expense	12,071	15,972	28,043
Operating Margin	$ 2,346	$ (335)	$ 2,011

	Six Months Ended June 30, 2016		
(dollars in thousands)	**Meridian Bank**	**Meridian Mortgage**	**Consolidated**
Net interest income	$ 11,788	$ 449	$ 12,237
Provision for loan losses	(307)	-	(307)
Net interest income after provision	11,481	449	11,930
Non-interest Income			
Service charges on deposits	28	-	28
Other fee income	376	848	1,224
Wealth management	157	-	157
Mortgage fees (margin)	-	16,419	16,419
Mortgage document prep & processing fees	-	1,272	1,272
Boli income	63	-	63
Net change in the fair value of loans held-for-sale	-	217	217
Net change in the fair value of loans held-for-investment	-	-	-
Net change in the fair value of derivative instruments	-	656	656
Realized losses on derivative instruments	-	(1,353)	(1,353)
Gain on sale of loans	(5)	-	(5)
Gain on sale of securites	-	-	-
Total non-interest income	619	18,059	18,678
Non-interest Expense			
Salaries and employee benefits	6,053	12,227	18,280
Occupancy & equipment	625	755	1,380
Professional services	474	132	606
FDIC expense	483	-	483
Loan expenses	127	2,996	3,123
Other	1,984	1,169	3,153
Total non-interest expense	9,746	17,279	27,025
Operating Margin	$ 2,354	$ 1,229	$ 3,583

(15) Recent Accounting Pronouncements

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

Issued in May 2014, ASU 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers using a five-step model that requires entities to exercise judgment when considering the terms of the contracts. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. This amendment defers the effective date of ASU 2014-09 by one year. In March 2016, the FASB issued ASU 2016- 08, "Principal versus Agent Considerations (Reporting Gross versus Net)," which amends the principal versus agent guidance and clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer. In addition, the FASB issued ASU Nos. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers and 2016-12, Narrow-Scope Improvements and Practical Expedients, both of which provide additional clarification of certain provisions in Topic 606. These Accounting Standards Codification ("ASC") updates are effective for annual reporting periods beginning after December 15, 2017, but early adoption is permitted. Early adoption is permitted only as of annual reporting periods after December 15, 2016. The standard permits the use of either the retrospective or retrospectively with the cumulative effect transition method. The Bank is currently in the process of evaluating all revenue streams, accounting policies, practices and reporting to identify and understand any impact on the Bank's Consolidated Financial Statements. Our preliminary evaluation suggests that adoption of this guidance is not expected to have a material effect on our Consolidated Financial Statements.

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

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

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

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

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

Issued in August 2016, ASU 2016-15 provides guidance on eight specific cash flow issues and their disclosure in the consolidated statements of cash flows. The issues addressed include debt prepayment, settlement of zero-coupon debt, contingent consideration in business combinations, proceeds from

settlement of insurance claims, proceeds from settlement of BOLI, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the Predominance principle. 2016-15 is effective for the annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted. The Bank is currently evaluating the impact of this guidance and does not anticipate a material impact on its consolidated financial statements.

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

Issued in June 2016, ASU 2016-13 significantly changes how companies measure and recognize credit impairment for many financial assets. The new current expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are in the scope of the standard. The ASU also makes targeted amendments to the current impairment model for available-for-sale debt securities. ASU 2016-13 is effective for the annual and interim periods in fiscal years beginning after December 15, 2018, with early adoption permitted. The Bank is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

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

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

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

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

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

Issued in March 2017, ASU 2017-08 shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendment requires the premium to be amortized to the earliest call date. The amendments does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Corporation has evaluated ASU 2017-08 and determined that it currently follows the guidance related to premium amortization on callable debt securities.

EXHIBIT A

PLAN OF MERGER AND REORGANIZATION

Date: __________, 2017

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

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

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

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

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

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

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

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

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

(b) Prior to the merger becoming effective, the Surviving Bank will have a capital of $100,000 consisting of 100,000 issued and outstanding shares of common stock, par value $1.00 per share, and a surplus of $55,000. Upon the merger becoming effective: (i) the amount and number of issued and outstanding shares of common stock of the Surviving Bank shall be

increased to an amount equal to the total, immediately before the merger, of (A) the issued and outstanding shares of common stock of the Bank, now being [_____] shares, and (B) the issued and outstanding shares of common stock of the Surviving Bank; (ii) the surplus of the Surviving Bank shall be increased to an amount equal to the total of the surplus of the Bank and the surplus of the Surviving Bank immediately before the merger; and (iii) all of the issued and outstanding shares of the Surviving Bank, as increased by the number of issued and outstanding shares of the Bank, shall be issued to and owned by the Holding Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[signature page follows]

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

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

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

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

MERIDIAN CORPORATION
ARTICLES OF INCORPORATION
ATTACHMENT TO ARTICLE 7

The following provisions are to be attached to the Articles of Incorporation of this corporation as part of Article 7 thereof, and are deemed incorporated therein as if set forth in full:

ARTICLE 7-A
Capitalization

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

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

Section 3. No shareholder of any class or of any series of class shall have the preemptive right to purchase, pro rata or otherwise, additional shares of Common Stock, or any other security of the corporation. The Board of Directors, in its sole discretion, has authority to sell any treasury stock and/or unissued securities, options, warrants, or other rights to purchase any security of the corporation, upon such terms as it deems advisable, including without limitation terms established pursuant to a Board amendment permitted by Section 1522(b) of the Pennsylvania Business Corporation Law of 1988, as amended.

ARTICLE 7-B
Ownership Limitation

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

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

Section 3. If any shareholder acquires Holdings which cause the violation of the restriction contained in Section 1 of this Article, the Board of Directors may (i) terminate all voting rights attributable to the shares owned beneficially by such shareholder (the "Substantial Shareholder") during the time that Section 1 of this Article is being violated;

(ii) commence litigation to require the divestiture of such amount of the shares so that after such divestiture the shareholder would no longer be in violation of the restriction contained in Section 1 of this Article; or (iii) take such other action as is appropriate under the circumstances.

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

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

ARTICLE 7-C
Control Transactions

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

ARTICLE 7-D
Cumulative Voting Rights

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

ARTICLE 7-E
Acquisition Offers

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

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

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

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

ARTICLE 7-F
Indemnification

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

EXHIBIT C

BYLAWS
OF
MERIDIAN CORPORATION

Article 1
PURPOSE

Section 1.1 These are the duly adopted bylaws of Meridian Corporation (the "Corporation"), a Pennsylvania business corporation.

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

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

Article 2
SHAREHOLDERS MEETINGS

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

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

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

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

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

Article 3
QUORUM OF SHAREHOLDERS

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

Article 4
VOTING RIGHTS

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

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

Article 5
PROXIES

Section 5.1 Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him or her by proxy. Every proxy shall be executed in writing by the shareholder or his or her duly authorized attorney in fact and filed with the Secretary of the Corporation. Each proxy shall be revocable at will except solely to the extent that it states expressly that it is irrevocable, and then only to the extent that it is coupled with an interest. The revocation of a proxy shall not be effective until notice thereof has been given to the Secretary of the Corporation. No unrevoked proxy shall be valid after 11 months or such longer period

expressly provided therein not in excess of 3 years from the date of execution, unless revoked earlier or unless coupled with an interest. A proxy shall not be revoked by the death or incapacity of the maker, unless before the vote is counted or the authority is exercised, written notice of such death or an adjudication of incapacity is given to the Secretary of the Corporation.

Article 6
RECORD DATE

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

Article 7
VOTING LISTS

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

Article 8
JUDGES OF ELECTION

Section 8.1 In advance of any meeting of shareholders, the Board of Directors may appoint judges of election and any alternates, who need not be shareholders, to act at such meeting or any adjournment thereof. If judges of election are not so appointed, the Chairman of any such meeting may, and on the request of any shareholder or his or her proxy shall, make such appointment at the meeting. The number of judges shall be one or three. If appointed at a meeting on the request of one or more shareholders or proxies, the majority of shares present and entitled

to vote shall determine whether one or three judges are to be appointed. No person who is a candidate for office shall act as a judge.

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

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

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

Article 9
CONSENT OF SHAREHOLDERS IN LIEU OF MEETING

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

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

Article 10
DIRECTORS

Section 10.1 Nominations for the election of directors may be made by the Board of Directors or by any shareholder entitled to vote in the election of directors. All nominations made by any shareholder must be made in writing, delivered or mailed by registered or certified mail, postage prepaid, return receipt requested, to the Secretary of the Corporation not less than 90 days nor more than 120 days prior to any meeting of the shareholders called for the election of directors. If less than 90 days' notice of the meeting is given to the shareholders, the nomination shall be delivered or mailed to the Secretary not later than the close of the 7th day following the day on which notice of the meeting was mailed to shareholders. Every nomination shall be signed by the nominating shareholder or shareholders and shall include: (i) the signed, written consent of the person nominated to serve as a director; (ii) the name, age, business address and residence address of the nominee; (iii) the principal occupation or employment of the nominee; (iv) a statement whether the nominee is also a director or officer of any other banking, securities, insurance or

financial securities organization, and if so the name and address of each such organization; (v) a completed and signed financial and biographical statement concerning the nominee in the form require by applicable banking regulators; (vi) the number of shares of the Corporation beneficially owned by the nominee; (vii) the name and address of the nominating shareholder; and (viii) the number of shares of the Corporation owned by the nominating shareholder. The Chairman of any meeting called for the election of directors shall reject any nomination made by any shareholder which was not made in accordance with the provisions of this Section, unless the Board of Directors has agreed to waive said provisions as to such nomination. In the event that the same person is nominated by more than one shareholder, if at least one nomination for such person complies with this Section, the nomination shall be honored and all votes cast for such nominee shall be counted. Nominations for the election of directors made by the Board of Directors need not comply with the provisions of this Section.

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

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

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

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

Article 11
VACANCIES ON BOARD OF DIRECTORS

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

Article 12
POWERS OF BOARD OF DIRECTORS

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

Article 13
MEETINGS OF THE BOARD OF DIRECTORS

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

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

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

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

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

Article 14
INFORMAL ACTION BY THE BOARD AND COMMITTEES

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

Article 15
COMPENSATION OF DIRECTORS

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

Article 16
COMMITTEES

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

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

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

Article 17
OFFICERS

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

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

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

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

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

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

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

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

Article 18
INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

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

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

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

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

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

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

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

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

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

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

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

Article 19
DIVIDENDS

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

Article 20
FINANCIAL REPORTS TO SHAREHOLDERS

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

Article 21
SIGNING AND APPROVAL AUTHORITIES

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

Article 22
FISCAL YEAR

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

Article 23
WAIVER OF NOTICES

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

Article 24
EMERGENCIES

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

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

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

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

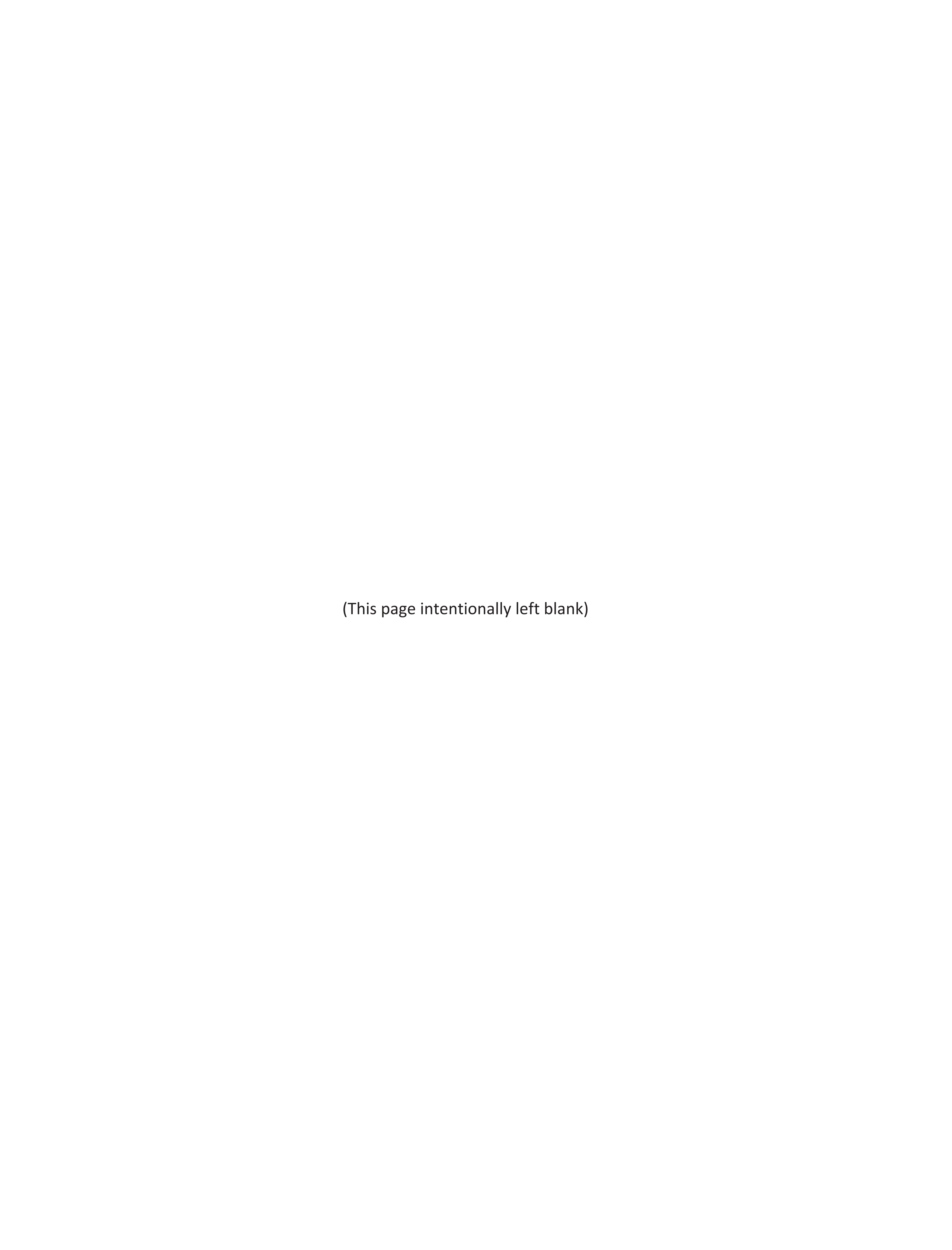
Section 24.5 Unless otherwise provided in Emergency Bylaws, notice of any meeting of the Board of Directors during an emergency shall be given only to those directors to whom it is feasible to reach at the time and by such means as are feasible at the time, including publication, radio or television.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

Article 25
CORPORATE SEAL

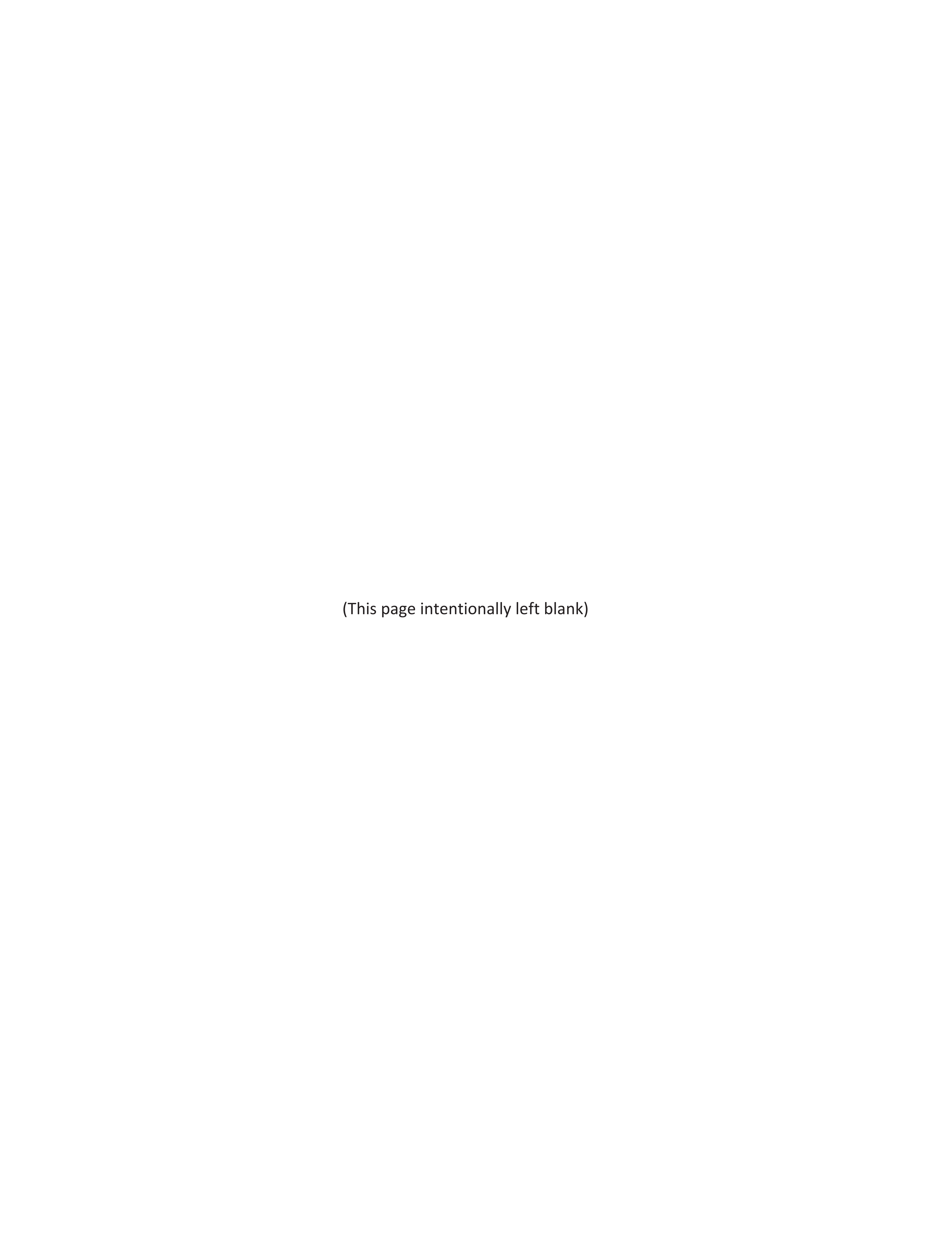
Section 25.1 The Board of Directors may adopt a corporate seal for the Corporation for use in sealing executed documents and instruments. The corporate seal shall be in such form as the Board of Directors may determine from time to time.

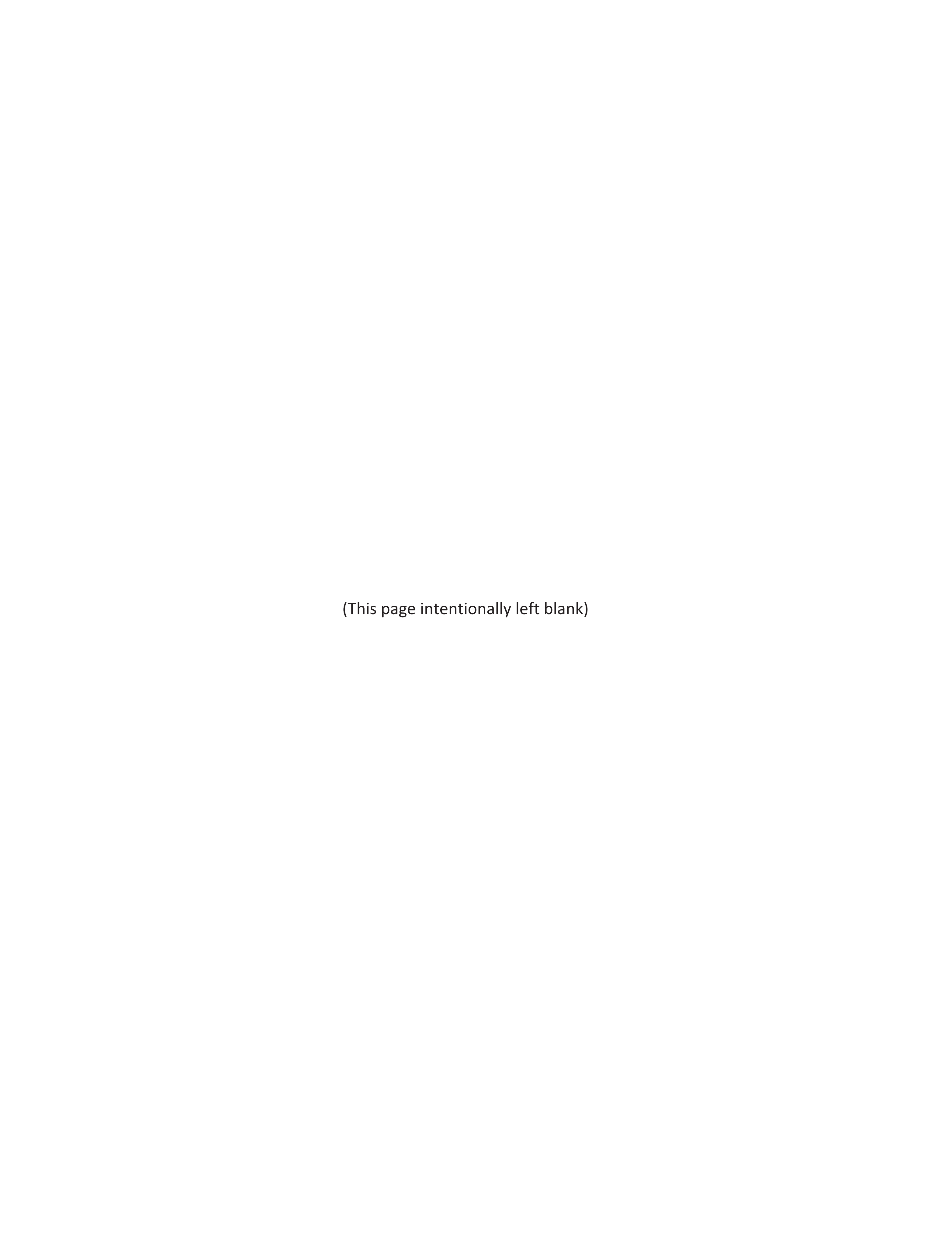
Article 26
AMENDMENTS

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



(This page intentionally left blank)


(This page intentionally left blank)



(This page intentionally left blank)

Through and including, December 1, 2017 (the 25th day after the date of this offering circular), all dealers effecting transactions in our common stock, whether or not participating in this offering, may be required to deliver an offering circular. This delivery requirement is in addition to a dealer's obligation to deliver an offering circular when acting as an underwriter and with respect to an unsold allotment or subscription.

2,352,941 Shares

Common Stock

OFFERING CIRCULAR

Book-Running Manager

SANDLER O'NEILL + PARTNERS, L.P.

Co-Managers

KEEFE, BRUYETTE & WOODS, INC.
A Stifel Company

D.A. DAVIDSON & CO.

November 6, 2017