

REFINITIV

DELTA REPORT

10-K

MRBK - MERIDIAN CORP

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	1869
CHANGES	417
DELETIONS	654
ADDITIONS	798

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

FORM 10-K

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

For the fiscal year ended **December 31, 2022** **December 31, 2023**

Or

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

For the transition period from _____ to _____

Commission File Number: **000-55983**

 Meridian.jpg

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

83-1561918

(I.R.S. Employer

Identification No.)

9 Old Lincoln Highway, Malvern, Pennsylvania 19355

(Address of principal executive offices) (Zip Code)

(484) 568-5000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

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

The approximate aggregate market value of voting stock held by non-affiliates of the registrant is **\$156,634,880** **\$91,267,410** as of **June 30, 2022** **June 30, 2023** based upon the last sales price in which our common stock was quoted on the NASDAQ Stock Market on **June 30, 2022** **June 30, 2023**.

As of **March 10, 2023** **March 11, 2024** there were **11,388,104** **11,185,515** shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the **2023** **2024** Annual Meeting of Stockholders, are incorporated by reference into Part III of this Annual Report on Form 10-K.

MERIDIAN CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, **2022** **2023**

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Glossary of Acronyms, Abbreviations, and Terms

The acronyms, abbreviations, and terms listed below are used in various sections of this report. As used throughout this report, the terms "Meridian", "we", "our", or "us" refer to Meridian Corporation and its consolidated subsidiaries, unless the context otherwise requires.

Acronym	Description
ACH	Automated clearing house
ACL	Allowance for credit losses
AFS	Available-for-sale
AI	Artificial intelligence
ALCO	Asset/Liability Committee
ALLL	Allowance for loan and lease losses
ALM	Asset / liability management
AOCI	Accumulated other comprehensive income
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BHC Act	Bank Holding Company Act of 1956
BOLI	Bank owned life insurance
BSA-AML	Bank Secrecy Act - Anti-Money Laundering
CBCA	Change in Bank Control Act
CBLR	Community Bank Leverage Ratio
CDARS	Certificate of Deposit Account Registry Service
CECL	Current expected credit losses
CET1	Common equity tier 1
CFPB	Consumer Financial Protection Bureau
CMO	Collateralized mortgage obligation
COVID-19	Coronavirus Disease 2019
CRE	Commercial real estate
DIF	FDIC's deposit insurance fund
ECOA	Equal Credit Opportunity Act
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
FDIA	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Authority
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank of Pittsburgh
FHLMC	Federal Home Loan Mortgage Corporation or Freddie Mac
FICO	Financing Corporation
FNMA	Federal National Mortgage Association or Fannie Mae
FRB	Federal Reserve Bank of Philadelphia
FTE	Fully taxable equivalent
GAAP	U.S. generally accepted accounting principles
GLB Act	Gramm-Leach-Bliley Act
GNMA	Government National Mortgage Association or Ginnie Mae
GSE	Government-sponsored entities
HTM	Held-to-maturity
ICBA	Independent Community Bankers of America
JOBS Act	Jumpstart Our Business Startups Act of 2012
LBP	Look-back period
LEP	Loss emergence period
LIBOR	London Inter-bank Offering Rate
MBS	Mortgage-backed securities
MSLP	Main Street Lending Programs
MSR	Mortgage servicing rights

NSFR	Net stable funding ratio
OFAC	Office of Foreign Assets Control
OREO	Other real estate owned
PCAOB	Public Company Accounting Oversight Board
PDBS	Pennsylvania Department of Banking and Securities
ROU	Right-of-use
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SNC	Shared national credit
TILA	Truth in Lending Act
TDR	Troubled debt restructuring
USDA	U.S. Department of Agriculture
VA	U.S. Department of Veteran's Affairs

PART I

Cautionary Statement Regarding Forward-Looking Statements

Meridian Corporation (the "Corporation" or "Meridian") may from time to time make written or oral "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements with respect to Meridian Corporation's strategies, goals, beliefs, expectations, estimates, intentions, capital raising efforts, financial condition and results of operations, future performance and business. Statements preceded by, followed by, or that include the words "will", "may," "could," "should," "pro forma," "looking forward," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project", or similar expressions generally indicate a forward-looking statement. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- Local, regional, national and international economic conditions and the impact they may have on us and our customers and our assessment of that impact.
- Volatility and disruption in national and international financial markets.
- Adverse developments in the banking industry highlighted by high-profile bank failures and the potential impact of such developments on customer confidence, liquidity, and regulatory responses to these developments.
- Government intervention in the U.S. financial system.
- Changes in the mix of loan geographies, sectors and types or the level of non-performing assets and charge-offs.
- Our ability to manage our commercial real estate exposure.
- Changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements.
- The effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board.
- Inflation, interest rate, securities market and monetary fluctuations.
- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which we and our subsidiaries must comply.
- Impairment of our goodwill or other intangible assets.
- Acts of God or of war or terrorism.
- Changes in consumer spending, borrowings and savings habits.
- Changes in the financial performance and/or condition of our borrowers.
- Technological changes, including the rise of AI as a commonly used resource.
- The cost and effects of cyber incidents or other failures, interruption or security breaches of our systems or those of third-party providers.
- Acquisitions and integration of acquired businesses.
- Our ability to increase market share and control expenses.
- Our ability to attract and retain qualified employees.
- Changes in the competitive environment in our markets and among banking organizations and other financial service providers.
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the PCAOB, the FASB and other accounting standard setters.
- Changes in the reliability of our vendors, internal control systems or information systems.
- Changes in our liquidity position.
- Changes in our organization, compensation and benefit plans.
- Lingering impacts of the COVID-19 pandemic and any other pandemic, epidemic or health-related crisis.
- The costs and effects of legal and regulatory developments, the resolution of legal proceedings or regulatory or other governmental inquiries, the results of regulatory examinations or reviews and the ability to obtain required regulatory approvals.
- Greater than expected costs or difficulties related to the integration of new products and lines of business.
- Our success at managing the risks involved in the foregoing items.

Meridian Corporation cautions that the foregoing factors are not exclusive, and neither such factors nor any such forward-looking statement takes into account the impact of any future events.

All forward-looking statements and information set forth herein are based on management's current beliefs and assumptions as of the date hereof and speak only as of the date they are made. For a more complete discussion of the assumptions, risks and uncertainties related to our business, you are encouraged to review the Corporation's filings with the SEC, including this Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** and subsequently filed quarterly reports on Form 10-Q and current reports on Form 8-K that update or provide information in addition to the information included in the Form 10-K and Form 10-Q filings, if any. The Corporation does not undertake to update any forward-looking statement whether written or oral, that may be made from time to time by the Corporation or by or on behalf of Meridian Bank, except as may be required under applicable laws.

Item 1. Business

General

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

Corporate Structure and Business Lines

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

Commercial Banking

The first line of business is our traditional banking operations, serving both commercial and consumer customers. We have a strong credit culture that promotes diversity of lending products with a focus on commercial businesses. We provide deposit and treasury management services, commercial and industrial lending and leasing, commercial real estate lending, small business lending, consumer and home equity lending, private banking, merchant services, and title and land settlement services. Our commercial and industrial lending department supports our small business and middle market borrowers with a comprehensive selection of loan products including financing solutions for wholesalers, manufacturers, distributors, service providers, importers and exporters, among others. Our portfolio includes business lines of credit, term loans, SBA lending, lease financing, other financings, and SNCs. We have no particular credit concentration. Our commercial loans have been proactively managed in an effort to achieve a balanced portfolio with no unusual exposure to one industry.

Our SBA team and their alliances with local economic development councils provide SBA 504 and 7(a) financing options to help grow local businesses, create and retain jobs and stimulate our local economy. In addition, Meridian understands that connections with the local professional industries benefit us, not only with these individuals as customers or investors, but also given the proven potential for business referrals.

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

Mortgage Banking

The second line of business is mortgage banking. Our mortgage consultants guide our clients through the complex process of obtaining a loan to meet consumer needs. Originations consist of consumer for-sale mortgage loans, loans to be held within our portfolio, and wholesale mortgage loans. Clients include homeowners and smaller scale investors. The mortgage division operates and originates mortgage loans in the Delaware Valley tri-state market, and Maryland markets, most typically for 1-4 family dwellings, with the intention of selling substantially all of these loans in the secondary market to qualified investors, while often retaining the servicing rights on these loans. Mortgages are originated through sales and marketing initiatives, as well as realtor, builder, bank, advertising and customer referral resources. The mortgage division performs origination, processing, underwriting, closing and post-closing functions both from our Blue Bell mortgage headquarters with **5** other **production/processing loan production** offices in the Delaware Valley tri-state market, and from Maryland through our **expanded** footprint of **3** other production/processing offices in the state.

Wealth Management and Advisory Services

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

Market Area

Meridian is headquartered in Malvern, PA, and has an operations center in Exton, PA, and six full-service branches in Philadelphia and surrounding counties. Its main branch, in **Paoli, Wayne**, serves the Main Line. The West Chester and Media branches serve Chester and Delaware counties, respectively, while the Doylestown and Blue Bell branches serve Bucks and Montgomery counties, respectively. Our sixth branch is in Philadelphia. These branches provide "Relationship Hubs" for our regional lending groups and allow Meridian to serve markets at or near the county seat of counties in and surrounding Philadelphia.

In addition to our deposit taking branches, there are currently **17** **12** other locations, including Corporate headquarters, that serve as loan production offices. These offices extend from the **Delaware Valley/Philadelphia** market area to **Delaware**, Central Maryland, and Florida.

Demographic information for the five county Philadelphia metropolitan area (Philadelphia County, Chester County, Delaware County, Montgomery County, Bucks County) shows our primary market to be stable, with moderate population growth. According to the U.S. Census Bureau – 2020, the median household income in this area is **\$80,261** **\$88,336** compared to the national average of \$62,843, while the total population in this market was **4,218,131** **4,198,000**. Demographic information for the five county Baltimore metropolitan area (Baltimore County, Howard County, Montgomery County, Anne Arundel County, Prince George's County) also shows that this secondary market is stable. According to the U.S. Census Bureau – 2020, the median household income in the Baltimore metropolitan area is **\$98,513** **\$105,582** compared to the national average of \$62,843, while the total population in this market was **3,804,375** **3,774,350**. **The Delaware and Florida markets were serve are also stable with moderate population growth.**

(dollars in thousands / population actual)	(dollars in thousands / population actual)	United States	Pennsylvania	Maryland			

Population (1)	Population (1)	308,449,281	13,002,700	6,177,224	Population (1)	308,449,281	13,002,700	6,177,224
Median household income (1)	Median household income (1)	\$ 63	\$ 62	\$ 85				
Unemployment rate (2)	Unemployment rate (2)	3.30 %	5.50 %	3.20 %	Unemployment rate (2)	3.70 %	3.50 %	2.00 %
Philadelphia Metropolitan Area Counties								
Bucks County Montgomery County Delaware County Chester County Philadelphia County Total								
Philadelphia Metropolitan Area Counties								
(dollars in thousands / population actual)								
(dollars in thousands / population actual)								
Population (1)	Population (1)	646,538	856,553	576,830	534,413	1,603,797	4,218,131	Population (1)
Median household income (1)	Median household income (1)	\$ 89	\$ 92	\$ 74	\$ 100	\$ 46	\$ 80	645,054
Unemployment rate (2)	Unemployment rate (2)	2.90 %	2.60 %	3.30 %	2.40 %	4.50 %		864,683
Baltimore Metropolitan Area Counties								
Baltimore Metropolitan Area Counties								
Baltimore Metropolitan Area Counties								
Anne Howard County Prince Montgomery County George's Arundel County Baltimore County Total								
Baltimore Metropolitan Area Counties								
(dollars in thousands / population actual)								
(dollars in thousands / population actual)								
Population (1)	Population (1)	332,317	1,062,061	588,261	967,201	854,535	3,804,375	Population (1)
Median household income (1)	Median household income (1)	\$ 121	\$ 109	\$ 101	\$ 85	\$ 77	\$ 99	335,411
Unemployment rate (2)	Unemployment rate (2)	2.50 %	2.80 %	2.60 %	3.70 %	3.20 %		1,052,521
Delaware Counties								
Delaware Counties								
Delaware Counties								
(dollars in thousands / population actual)								
(dollars in thousands / population actual)								
Population (1)								Florida County
Median household income (1)								
Unemployment rate (2)								Lee County
Unemployment rate (2)								
Unemployment rate (2)								
4.1 % 3.9 % 3.5 % 3.7 % 3.0 9								

(1) Source: U.S. Census Data – 2020

(1) Source: U.S. Census Data – 2020

(1) Source: U.S. Census Data – 2020

(2) Source: U.S.

Bureau of Labor

Statistics –

December 2023

(2) Source: U.S. Bureau of Labor Statistics – December 2023

Competition

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

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

Human Capital Resources

At **December 31, 2022** **December 31, 2023**, we employed **366 324** individuals, nearly all of whom are full-time and of which **48% 56%** are women. Women make up 32% of all officers throughout the Meridian organization. None of these employees are covered by collective bargaining agreements, and Meridian believes it enjoys good relations with its personnel. The Bank was named to American Bankers 2022 Top 200 Community Banks **and as well as being listed by the Philadelphia Inquirer in their "Top Work Places of 2022."** In December of 2020, the Bank was named by the ICBA as one of their 'Best Community Banks to Work For'. As an integrated full-service financial institution, approximately **52% 60%** of our employees are employed through our banking segment, **45% 37%** through our mortgage segment, and 3% for our wealth segment.

The safety of our employees has always been our top priority over the last few years due to the COVID-19 pandemic and this priority continues today. A portion of our workforce continues to work remotely **and we still provide appointment-only lobby hours when requested.**

or on a hybrid work schedule.

Meridian is committed to giving back to our communities. In **2022, 2023**, we donated **\$520 \$503** thousand to over 100 organizations throughout the various communities that we serve in Pennsylvania, New Jersey, Delaware, Maryland, and Florida. Meridian also sponsors individual / group service days and provides time off to employees to participate in charitable activities in the communities we serve.

In order to compete effectively and continue to provide excellent service to our clients, we must attract, retain, and motivate qualified professionals. During the hiring process Meridian looks to bring onboard well-qualified individuals, without bias to race or gender. As we are currently in a very competitive hiring market, we utilize various methods to find well-qualified talent including third party search firms, social media, internal candidates already in our organization and on campus recruiting at local universities.

During **2022, 2023**, we hired **81 83** professionals, **30% 41%** of which were women, and **21% 23%** of which were ethnically diverse. For **2022, 2023**, our turnover rate was approximately **3.0% 3%**, which makes our overall retention rate very high compared to peers. We believe our culture, our effort to maintain a meritocracy in terms of opportunity and our continued evolution and growth contribute to our success in attracting and retaining strong talent.

Our benefits are designed to attract and retain employees by providing employees and their families with health and wellness programs (medical, dental, vision), retirement wealth accumulation, paid time off, income replacement (paid sick and disability leaves and life insurance) and family oriented benefits (parental leaves and child care assistance).

We aim to continually build on the expertise of our workforce. At entry levels, we have implemented trainee and internship programs. During **2022 2023** Meridian invested throughout the organization in terms of in-house and external training programs to help our employees develop leadership skills, stay current on professional development topic in their area of focus, as well as to keep up to date on cybersecurity, and risk & compliance matters that impact the organization overall.

Our Current Capital Stock Structure

As of **December 31, 2022** **December 31, 2023**, Meridian had **13,156,308 13,186,198** shares of common stock, \$1 par value, issued and **11,465,572 11,183,015** shares outstanding. There **is 1,690,736 are 2,003,183** shares held in treasury. **All share and per share amounts have been adjusted to reflect the two-for-one stock split effective February 28, 2023.**

Update on Emerging Growth Company Status

We qualified as an "emerging growth company" as defined by the JOBS Act, until December 31, 2022, the end of the fiscal year following the fifth anniversary of the completion of our initial public offering. An emerging growth company is able to take advantage of reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. While we are no longer considered an emerging growth company, we still qualify as a "smaller reporting company" under Item 10(f)(1) of Regulation S-K, and as such are still able to present only two years of audited financial statements, as well as including less extensive narrative disclosures around executive compensation arrangements.

Information about Meridian

Our executive offices are located at 9 Old Lincoln Highway, Malvern, PA 19355 and our telephone number is (484) 568-5000. Our Internet website is www.meridianbanker.com and our investor relations page can be found at investor.meridianbanker.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and all amendments thereto have been filed, along with this Annual Report on Form 10-K, with the SEC. The Corporation's filings with the SEC can also be accessed at the SEC's internet website: <http://www.sec.gov>.

Investors can obtain copies of Meridian's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, on Meridian's website (accessible under "Investor Relations" – "SEC Filings") as soon as reasonably practicable after Meridian has filed such materials with, or furnished them to, the SEC. Meridian will also furnish a paper copy of such filings free of charge upon request. Also on our website are our Audit Committee and Compensation Committee Charters. The information contained in our website or in any websites linked by our website, is not part of this Annual Report on Form 10-K.

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

SUPERVISION AND REGULATION Supervision and Regulation

Meridian and its subsidiaries are subject to extensive regulation under federal and state banking laws that establish a comprehensive framework for our operations. This framework may materially affect our growth potential and financial performance and is intended primarily for the protection of depositors, customers, federal deposit insurance funds and the banking system as a whole, not for the

protection of our shareholders and creditors. The following discussion summarizes certain laws, regulations and policies to which Corporation and the Bank are subject. It does not address all applicable laws, regulations and policies that affect us currently or might affect us in the future. This discussion is qualified in its entirety by reference to the full texts of the laws, regulations and policies described.

The Bank is an FDIC-insured commercial bank chartered under the laws of Pennsylvania with regulatory oversight from the FDIC and the PDBS. The holding company, Meridian Corporation, is subject to supervision and examination by, and the regulations and reporting requirements of, the FRB, and is subject to the disclosure and regulatory requirements of the Exchange Act. In order to adhere to regulatory expectations on an ongoing basis and to successfully prepare for the normal examination processes, Meridian maintains numerous internal controls including policies and programs appropriate to maintain the Bank's safety and soundness, under such key areas as lending, compliance, BSA-AML, information security, human resources, deposit and cash management products, enterprise risk, merchant services, finance, title services, branch security and wealth management. As a public company, the Corporation also files reports with the SEC and is subject to its regulatory authority, as well as the disclosure and regulatory requirements of the Securities Act, as amended, and the Exchange Act, as amended, with respect to the Corporation's securities, financial reporting and certain governance matters. Because the Corporation's securities are listed on the NASDAQ Stock Market, we are subject to NASDAQ's rules for listed companies, including rules relating to corporate governance.

Permissible Activities for Bank Holding Companies

The Corporation is 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.

The FRB 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 FRB has reasonable grounds to believe that continuing such activity, ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

Permissible Activities for Banks

As a Pennsylvania-chartered commercial bank, our business is subject to extensive supervision and regulation by state and federal bank regulatory agencies. Our business is generally limited to activities permitted by Pennsylvania law and any applicable federal laws. Under the Pennsylvania Banking Code of 1965 (the "Pennsylvania Banking Code"), the Bank may generally engage in all usual banking activities, including, among other things, accepting deposits; lending money on personal and real estate security; issuing letters of credit; buying, selling, discounting, factoring, 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 management services providing cash.

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

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

Pennsylvania law also imposes restrictions on the Bank's activities intended to ensure the safety and soundness of the Bank. For example, Meridian Bank is restricted under the Pennsylvania Banking Code from investing in certain types of investment securities and is generally limited in the amount of money it can lend to a single borrower or invest in securities issued by a single issuer.

Acquisitions by Bank Holding Companies

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

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

Dividends

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

Federal banking regulators are authorized to determine under certain circumstances relating to the financial condition of a bank holding company or a bank that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In particular, federal banking regulators have stated that paying dividends that deplete a banking organization's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings. In addition, in the current financial and economic environment, the federal banking regulators have indicated that banks should carefully review their dividend policy and have discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong. Under the Capital Rules, institutions that seek to pay dividends must maintain 2.5% in Common Equity Tier 1 capital attributable to the capital conservation buffer. See "—Regulatory Capital Requirements".

Our principal source of cash flow and income is dividends from our subsidiaries, which is also the component of our liquidity. In addition to the restrictions discussed above, the Bank is subject to limitations under Pennsylvania law regarding the level of dividends that it may pay to its shareholder. Under the Pennsylvania Banking Code, the Bank generally may not pay dividends in excess of its net profits.

Parity Regulation

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

Transactions with Affiliates and Insiders

Transactions between our subsidiaries, or between the Corporation and our subsidiaries, are regulated under Sections 23A and 23B of the Federal Reserve Act. The Federal Reserve Act imposes quantitative and qualitative requirements and collateral requirements on covered transactions by the Bank with, or for the benefit of, its affiliates. Generally, the Federal Reserve Act limits the extent to which a bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of a bank's capital stock and surplus, limits the aggregate amount of all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus, and requires those transactions to be on terms at least as favorable to a bank as if the transaction were conducted with an unaffiliated third party. Covered transactions are defined by statute to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve) from the affiliate, certain derivative transactions with an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In addition, any credit transactions with any affiliate, must be secured by designated amounts of specified collateral.

Federal law also limits a bank's authority to extend credit to its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. Also, the terms of such extensions of credit may not involve more than the normal risk of non-repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons individually and in the aggregate.

Source of Strength

Federal Reserve policy and federal law require bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. Under this requirement, Meridian is expected to commit resources to support the Bank, including at times when it may not be in a financial position to provide such resources, and it may not be in our, or our shareholders' or creditors', best interests to do so. In addition, any capital loans Meridian makes to the Bank are subordinate in right of payment to depositors and to certain other indebtedness of the Bank. In the event of our bankruptcy, any commitment by us to a federal banking regulatory agency to maintain the capital of the Bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Regulatory Capital Requirements

The Federal Reserve monitors the capital adequacy of the holding company on a consolidated basis, and the FDIC and the PDBS monitor the capital adequacy of the Bank. The banking regulators use a combination of risk-based guidelines and a leverage ratio to evaluate capital adequacy. The risk-based capital guidelines applicable to us are based on 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.

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 risk-

weighted assets and (iv) 4% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

The current Capital Rules also include a capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is composed entirely of CET1, on top of these minimum risk-weighted asset ratios.

The Capital Rules require us to maintain an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios of (i) 7% CET1 to risk-weighted assets, (ii) 8.5% Tier 1 capital to risk-weighted assets, (iii) 10.5% total capital to risk-weighted assets and (iv) a minimum leverage ratio of 4%. The Capital Rules provide for a number of deductions from and adjustments to CET1.

These include, for example, the requirement that mortgage servicing rights, certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. In addition, the Capital Rules provide for a countercyclical capital buffer applicable only to certain covered institutions. We do not expect the countercyclical capital buffer to be applicable to us. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. In addition, the effects of accumulated other comprehensive income items included in capital were excluded for the purposes of determining regulatory capital ratios. Under the Capital Rules, the effects of certain accumulated other comprehensive income items are not excluded; however, non-advanced approaches banking organizations, including the Bank, were able to make a one-time permanent election to continue to exclude these items. The Bank made this election.

The Capital Rules prescribe a new standardized approach for risk weightings that expanded the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0%, for U.S. government and agency securities, to 600%, for certain equity exposures, and resulting in higher risk weights for a variety of asset categories.

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

With respect to the Bank, the Capital Rules also revised the prompt corrective action regulations pursuant to Section 38 of the FDIA. See "—Prompt Corrective Action Framework" below.

Prompt Corrective Action Framework

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

Liquidity Regulations

Historically, the regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, without required formulaic measures. The Basel final framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward would be required by regulation. One test, referred to as the liquidity coverage ratio, or LCR, is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity's expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the net stable funding ratio, or NSFR, is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will incentivize banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source.

Safety and Soundness Standards

The FDIA requires the federal banking agencies to prescribe standards, by regulations or guidelines, relating to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation and compensation, fees and benefits, and such other operational and managerial standards as the agencies deem appropriate. The federal banking agencies have adopted the Interagency Guidelines for Establishing Standards for Safety and Soundness. The guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. These

guidelines also prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying all safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the banking regulator must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution may be subject under the FDIA. See “—Prompt Corrective Action Framework”. If an institution fails to comply with such an order, the banking regulator may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Deposit Insurance

FDIC insurance assessments

As an FDIC-insured bank, the Bank must pay deposit insurance assessments to the FDIC based on its average total assets minus its average tangible equity. Deposits are insured up to applicable limits by the FDIC and such insurance is backed by the full faith and credit of the United States Government.

As an institution with less than \$10 billion in assets, the Bank's assessment rates are based on the level of risk it poses to the FDIC's DIF. The initial base rate for deposit insurance is between three and 30 basis points. Total base assessment after possible adjustments now ranges between 1.5 and 40 basis points. For established smaller institutions, like the Bank, supervisory ratings are used along with (i) an initial base assessment rate, (ii) an unsecured debt adjustment (which can be positive or negative), and (iii) a brokered deposit adjustment, to calculate a total base assessment rate.

Under the Dodd-Frank Act, the limit on FDIC deposit insurance was increased to \$250 thousand. The coverage limit is per depositor, per insured depository institution for each account ownership category. The Dodd-Frank Act also set a new minimum DIF reserve ratio at 1.35% of estimated insured deposits.

In October, 2022, the FDIC adopted a final rule to increase the initial base deposit insurance assessment rate schedules uniformly by 2 basis points beginning with the first quarterly assessment period of 2023. The increased assessment rate schedules would remain in effect unless and until the reserve ratio of the Deposit Insurance Fund meets or exceeds 2 percent. As a result of the new rule, the FDIC insurance costs of insured depository institutions, including Meridian Bank, would generally increase.

The In November, 2023, the FDIC adopted issued a final rule effective June 26, 2020, to implement a special assessment to recover the loss to the DIF associated with protecting uninsured depositors following the closure of Silicon Valley Bank and applied Signature Bank, at a quarterly rate of 3.36 basis points of an institution's uninsured deposits in excess of \$5 billion as of April 1, 2020 December 31, 2022, to mitigate be paid over eight quarterly assessment periods beginning in the effect first quarter of 2024. Under the final rule, the estimated loss pursuant to the systemic risk determination will be periodically adjusted and the FDIC has retained the ability to cease collection early, extend the special assessment collection period and impose a final shortfall assessment on a one time basis. Since the Bank's uninsured deposits were less than \$5 billion as of December 31, 2022, the final rule doesn't apply to the Bank, but the extent to which any similar future assessments will impact our future deposit insurance assessments of a bank's participation in the Paycheck Protection Program, the Paycheck Protection Program Liquidity Facility and the Money Market Mutual Fund Liquidity Facility in connection with the COVID-19 pandemic, expense is currently uncertain.

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 FICO to impose assessments on certain deposits in order to service the interest on the FICO's bond obligations from deposit insurance fund assessments. The amount assessed on individual institutions is in addition to the amount, if any, paid for deposit insurance according to the FDIC's risk-related assessment rate schedules. Assessment rates may be adjusted quarterly to reflect changes in the assessment base.

Depositor Preference

The FDIA provides that, in the event of the “liquidation or other resolution” of an insured depository institution, the claims of deposits of the institution, including the claims of the FDIC as 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.

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

The Bank is subject to a number of federal and state consumer protection laws that extensively govern our relationship with our customers. These laws include the ECOA, the Fair Credit Reporting Act, the 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 CFPB has broad rule making, 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 rule making 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.

In October 2023, the Federal Reserve issued a proposal under which the maximum permissible interchange fee for an electronic debit transaction would be the sum of 14.4 cents per transaction and 4 basis points multiplied by the value of the transaction. Furthermore, the fraud-prevention adjustment would increase from a maximum of 1 cent to 1.3 cents. The proposal would adopt an approach for future adjustments to the interchange fee cap, which would occur every other year based on issuer cost data gathered by the Federal Reserve from large debit card issuers.

Federal Home Loan Bank Membership

The 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 the Bank, from extending residential mortgage loans without regard for the consumer's ability to repay and add restrictions and requirements to residential mortgage origination and servicing practices. In addition, these rules restrict the imposition of prepayment penalties and restrict compensation practices relating to residential mortgage loan origination. Mortgage lenders are required to determine consumers' ability to repay in one of two ways. The first alternative requires the mortgage lender to consider eight underwriting factors when making the credit decision. Alternatively, the mortgage lender can originate "qualified mortgages", which are entitled to a presumption that the creditor making the loan satisfied the ability-to-repay requirements. In general, a qualified mortgage is a residential mortgage loan that does not have certain high risk features, such as negative amortization, interest-only payments, balloon payments, or a term exceeding 30 years. In addition, to be a qualified mortgage, the points and fees paid by a consumer cannot exceed 3% of the total loan amount and the borrower's total debt-to-income ratio must be no higher than 43% (subject to certain limited exceptions for loans eligible for purchase, guarantee or insurance by a government sponsored enterprise or a federal agency).

Commercial Real Estate Guidance

In December 2015, 2023, the federal banking regulators FDIC released a statement entitled "Interagency Statement on Prudent Risk Management for Managing Commercial Real Estate Lending Concentrations in a Challenging Economic Environment" (the "CRE Updated CRE Guidance"). In the Updated 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 FDIC conveys several key risk management practices to identify, measure consider in managing CRE loan concentrations in the current challenging economic environment. The advisory also continues to emphasize the importance of effectively managing liquidity and monitor funding risks, which can compound lending risks, particularly for CRE concentrated institutions. This advisory does not create new risk management principles; however, it does update and (iii) indicated that they will continue to pay special attention to commercial real estate lending activities and concentrations going forward, build upon previously issued guidance. The federal banking regulators previously issued guidance in December 2006, entitled "Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices" (the "2006 CRE Guidance") 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.

In the Updated CRE Guidance, the FDIC noted that Institutions with significant CRE concentrations are reminded that strong risk management, governance, capital, and appropriate ACL levels are needed to help mitigate risks. Institutions with overall credit risk management processes that reflect consideration of the principles of the 2006 CRE Guidance are better positioned to manage through adverse economic environments. The principles in the 2006 CRE Guidance remain relevant, particularly in challenging economic environments, and particularly for institutions engaged in significant CRE lending strategies to help them remain healthy and profitable while continuing to serve the credit needs of the community.

Leveraged Lending Guidance

The federal banking regulators jointly issued guidance on leveraged lending that 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. In May 2022, the Federal Reserve, the FDIC and the OCC issued a joint proposal that would, among other things (i) expand access to credit, investment and basic banking services in low - and moderate-income communities, (ii) adapt to changes in the banking industry, including internet and mobile banking, (iii) provide greater clarity, consistency and transparency in the application of the regulations and (iv) tailor performance standards to account for differences in bank size, business model, and local conditions. The Bank will continue to evaluate the impact of any changes to the regulations implementing the CRA and their impact to the Bank's financial condition, results of operations, and/or liquidity, which cannot be predicted at this time. Our bank received a rating of "Satisfactory" in its most recently completed CRA examination in 2020 2023 that was as of February 11, 2020 November 19, 2022.

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.

In October 2023, the CFPB proposed a new rule that would require a provider of payment accounts or products, such as a bank, to make data available to consumers upon request regarding the products or services they obtain from the provider. Any such data provider would also have to make such data available to third parties, with the consumer's express authorization and through an interface that satisfies formatting, performance and security standards, for the purpose of such third parties providing the consumer with financial products or services requested by the consumer. Data that would be required to be made available under the rule would include transaction information, account balance, account and routing numbers, terms and conditions, upcoming bill information, and certain account verification data. The proposed rule is intended to give consumers control over their financial data, including with whom it is shared, and encourage competition in the provision of consumer financial products or services. For banks with less than \$50 billion in total assets, compliance would be required approximately 2.5 years after adoption of the final rule.

Anti-Money Laundering and the USA PATRIOT ACT

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

Office of Foreign Assets Control Regulation

The U.S. Treasury Department's 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

Our primary regulator, as part of the regular, risk-focused examination process, will review 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.

For regulated entities having at least \$1 billion in total assets the rules establish general qualitative requirements applicable to all covered entities, which 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.

In October 2022, the SEC adopted a final rule directing national securities exchanges and associations, including Nasdaq, to implement listing standards that require listed companies to adopt policies mandating the recovery or "clawback" of excess incentive-based compensation earned by a current or former executive officer during the three fiscal years preceding the date the listed company is required to prepare an accounting restatement, including to correct an error that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. The final rule requires Meridian to adopt a clawback policy within 60 days after such listing standard becomes **effective, effective, which Meridian did on November 21, 2023.**

Cybersecurity

The GLB Act requires financial institutions to implement a comprehensive information security program that includes administrative, technical, and physical safeguards to ensure the security and confidentiality of client records and information. The Cybersecurity Information Sharing Act is intended to improve cybersecurity in the U.S. by enhanced sharing of information about security threats among the U.S. government and private sector entities, including financial institutions. The Cybersecurity Information Sharing Act also authorizes companies to monitor their own systems notwithstanding any other provision of law and allows companies to carry out defensive measures on their own systems from cyber-attacks. The law includes liability protections for companies that share cyber threat information with third parties so long as such sharing activity is conducted in accordance with Cybersecurity Information Sharing Act.

In October 2016, the federal bank regulatory agencies issued an Advanced Notice of Proposed Rulemaking regarding enhanced cyber risk management standards, which would apply to a wide range of large financial institutions and their third-party service providers. The proposed rules would expand existing cybersecurity regulations and guidance to focus on cyber risk management and governance, management of internal and external dependencies, and incident response, cyber resilience, and situational awareness. In addition, the proposal contemplates more stringent standards for institutions with systems that are critical to the financial sector. These enhanced standards would apply only to depository institutions and depository institution holding companies with total consolidated assets of \$50 billion or more. The federal banking agencies have not yet taken further action on these proposed standards.

Separately, in November 2021, the United States federal bank regulatory agencies adopted a rule regarding notification requirements for banking organizations related to significant computer security incidents. Under the final rule, a bank holding company and a state member bank are required to notify the FRB within 36 hours of incidents that have materially disrupted or degraded, or are reasonably likely to materially disrupt or degrade, the banking organization's ability to deliver services to a material portion of its client base, jeopardize the viability of key operations of the banking organization, or impact the stability of the financial sector. In March 2022, the SEC proposed rules that would require disclosure of material cybersecurity incidents, as well as cybersecurity risk management, strategy and governance.

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 due to the rapidly evolving nature and sophistication of these threats.

Future Legislation and Regulation

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

Item 1A. Risk Factors

Investing in our common stock involves a significant degree of risk. The material risks and uncertainties that management believes affect us are described below. Before investing in our common stock, you should carefully consider the risks and uncertainties described below, in addition to the other information contained in this Annual Report. Any of the following risks, as well as risks that we do not know or currently deem immaterial, could have a material adverse effect on our business, financial condition or results of operations. As a result, the trading price of our common stock could decline,

and you could lose some or all of your investment. Further, to the extent that any of the information in this Annual Report on Form 10-K constitutes forward-looking statements, the risk factors below are cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. See "Cautionary Note Regarding Forward-Looking Statements".

As of December 31, 2022, we are no longer an "emerging growth company" and, as a result, are required to comply with increased disclosure and governance requirements.

As more than five fiscal years have passed since the November 17, 2017, listing of common stock listing on the NASDAQ, we ceased to be an "emerging growth company" as defined in the JOBS Act as of December 31, 2022. As such, we are subject to certain requirements that apply to other public companies but did not previously apply to us. These requirements include:

- The provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting;
- The requirement to provide detailed compensation discussion and analysis in proxy statements and reports filed under the Exchange Act; and
- The "say on pay" provisions (requiring a non-binding stockholder vote to approve compensation of certain executive officers) and the "say on golden parachute" provisions (requiring a non-binding stockholder vote to approve golden parachute arrangements for certain executive officers in connection with mergers and certain other business combinations) of the Dodd-Frank Act and some of the disclosure requirements of the Dodd-Frank Act relating to compensation of our chief executive officer.

Therefore, this Annual **Our annual** Report is subject to Section 404(b) of the Sarbanes-Oxley Act, which requires that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting. Compliance with Section 404 is expensive and time consuming for management and could result in the detection of internal control deficiencies of which we are currently unaware. The loss of "emerging growth company" status and compliance with the additional requirements substantially increases our legal and financial compliance costs and make some activities more time consuming and costly.

Risks Related to Our Business / Operations

Recent and future bank failures may adversely affect the national, regional, and local business environment, results of operation, and capital.

Recent Past and future bank failures may have a profound impact on the national, regional, and local business environment in which Meridian operates. These impacts can range from business disruptions to adversely affecting their customers and customers withdrawing their deposits from the Bank. Management currently does expect that one result of the events in connection with the closure of Silicon Valley Bank in California and Signature Bank in New York by regulators is that FDIC assessments will more likely than not increase as a cost of doing business to the Bank. These possible impacts may adversely affect the Bank's future operating results, including net income, and negatively impact capital. While the Bank currently does not expect the Government takeovers of Silicon Valley Bank and Signature Bank to have such a negative effect, the Bank continues to monitor the ongoing events concerning these two banks and any future banks failures if and when they may occur.

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

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

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

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

As of December 31, **2022 2023**, we owned **\$172.8 \$181.8** million of investment securities, which consisted primarily of our positions in U.S. government and government-sponsored enterprises and federal agency obligations, mortgage and asset-backed securities, corporate bonds, and municipal securities. **We evaluate our investment As a result of inflationary pressures and the resulting rapid increases in interest rates in 2023, the trading value of previously issued government and other fixed income securities on at least has declined significantly. The Corporation conducts a quarterly basis, and more frequently when economic and market conditions warrant such an evaluation, periodic review of the securities portfolio to determine whether if any decline in the estimated fair value of any security below its cost basis is considered impaired. Factors which are considered in the analysis include, but are not limited to, the extent to which the fair value is less than the amortized cost is basis, 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 financial condition, credit rating and future financial performance prospects of the issuer, whether the debtor is current on contractually obligated interest and principal payments and the Corporation's intent and ability to retain the security for a period of time sufficient to allow for any anticipated recovery in order fair value and the likelihood of any near-term fair value recovery. If such decline is deemed to assess be uncollectible, the probability of receiving all contractual principal security is written down to a new cost basis and interest payments on the security. Because of changing economic and market conditions affecting issuers, we may resulting loss will be required to recognize other-than-temporary impairment in future periods, which could adversely affect our business, results of operations or financial condition, recognized as a securities provision for credit losses through an allowance for credit losses.**

For those financial instruments measured at fair value, we are required to recognize the changes in the fair value of such instruments in earnings or AOCI each quarter. Therefore, any increases or decreases in the fair value of these financial instruments have a corresponding impact on reported earnings or AOCI. Fair value can be affected by a variety of factors, many of which are beyond our control, including our credit position, interest rate volatility, capital markets volatility, and other economic factors. Accordingly, we are subject to mark-to-market risk and the application of fair value accounting may cause our earnings and AOCI to be more volatile than would be suggested by our underlying performance.

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

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

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

We evaluate opportunities to acquire and invest in banks and in other complementary businesses. As a result, we may engage in negotiations or discussions that, if they were to result in a transaction, could have a material effect on our operating results and financial condition, including short and long-term liquidity and capital structure. Our acquisition activities could be material to us. For example,

we could issue additional shares of common stock in a merger transaction, which could dilute current shareholders' ownership interest. An acquisition could require us to use a substantial amount of cash, other liquid assets, and/or incur debt.

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

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

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

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

Liquidity risk is the risk that we will not be able to meet our obligations, including financial commitments, as they come due and is inherent in our operations. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. 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 trade-off. If customers move money out of bank deposits and into other investments, we could lose a stable source of funds. This loss would require us to seek other funding alternatives, in order to continue to grow, thereby potentially increasing our funding costs and reducing our net interest income and net income.

Other primary sources of funds consist of cash from operations and investment maturities, redemptions and sales. To a lesser extent, proceeds from the issuance and sale of securities to investors has become a source of funds. Additional liquidity is provided by wholesale funding such as brokered deposits and borrowings from the FRB and the FHLB. We also may borrow from correspondent banks or third party lenders from time to time. Our access to funding sources in amounts adequate to finance or capitalize our activities or on terms that are acceptable to us could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Economic conditions and a loss of confidence in financial institutions may increase our cost of funding or access to certain customary sources of funds, including inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve System.

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

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

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

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

Loss of deposits could increase our funding costs.

As do many banking companies, we rely on customer deposits to meet a considerable portion of our funding needs, and we continue to seek customer deposits to maintain this funding base. We accept deposits directly from consumer and commercial customers and, as of December 31, 2022 2023, we had \$1.7 billion \$1.8 billion in deposits. These deposits are subject to potentially dramatic fluctuations in availability or the price we must pay (in the form of interest) to obtain them due to certain factors outside our control, such as a loss of confidence by customers in us or the banking sector generally, customer perceptions of our financial health and general reputation, increasing competitive pressures from other financial services firms for consumer or corporate customer deposits, changes in interest rates and returns on other investment classes, which could result in significant outflows of deposits within short periods of time or significant changes in pricing necessary to maintain current customer deposits or attract additional deposits. The loss of customer deposits for any reason could increase our funding costs.

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

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

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

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

Our growth requires that we increase our loans and deposits while managing risks by following prudent loan underwriting standards without increasing interest rate risk or compressing our net interest margin, maintaining more than adequate capital at all times, hiring and retaining qualified employees and successfully implementing strategic projects and initiatives. Even if we are able to increase our

interest income, our earnings may nonetheless be reduced by increased expenses, such as additional employee compensation or other general and administrative expenses and increased interest expense on any liabilities incurred or deposits solicited to fund increases in assets. Additionally, if our competitors extend credit on terms we find to pose excessive risks, or at interest rates which we believe do not warrant the credit exposure, we may not be able to maintain our lending volume and could experience deteriorating financial performance.

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

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

We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively affected by these laws. As a financial institution, we are susceptible to fraudulent activity, information security breaches and cybersecurity-related incidents that may be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation or damage to our reputation. Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) affecting customer or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions or results of operations.

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

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

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

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

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

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

We continually encounter technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new, technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to serve customers better and to reduce costs. Our future success depends, in part, on our ability to effectively embrace technology to better serve customers and reduce costs. The Corporation may be required to expend additional resources to employ the latest technologies. Failure to keep pace with technological change could potentially have an adverse effect on our business operations and financial condition and results of operations.

Any actual or perceived failure to comply with evolving regulatory frameworks around the development and use of artificial intelligence (AI) could adversely affect our business, results of operations, and financial condition.

Our business increasingly relies on AI, machine learning and automated decision making to improve our services and our customer's experience. The regulatory framework around the development and use of these emerging technologies is rapidly evolving, and many federal, state and foreign government bodies and agencies have introduced and/or are currently considering additional laws and regulations. As a result, implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, and we cannot yet determine the impact future laws, regulations, standards, or perception of their requirements may have on our business.

Any of the foregoing, together with developing guidance and/or decisions in this area, may affect our use of AI and our ability to provide and improve our services, require additional compliance measures and changes to our operations and processes, and result in increased compliance costs and potential increases in civil claims against us. Any actual or perceived failure to comply with evolving regulatory frameworks around the development and use of AI, machine learning and automated decision making could adversely affect our business, results of operations, and financial condition.

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

We are dependent on the ability and experience of a number of key management personnel, who have substantial experience with the markets in which we offer products and services, the financial services industry, and our operations. The loss of one or more senior executives or key managers may have an adverse effect on our businesses. We maintain change in control agreements with

certain executive officers to aid in our retention of these individuals. Our success depends on our ability to continue to attract, manage, and retain other qualified management personnel.

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Interest Rates

We must effectively manage interest rate risk.

Our earnings and cash flows are largely dependent upon our net interest income. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, but such changes could also affect (i) our ability to originate loans and obtain deposits; (ii) the fair value of our financial assets and liabilities; and (iii) the average duration of our mortgage portfolio and other interest-earning assets. In response to the economic conditions resulting from the COVID-19 pandemic, the Federal Reserve's target federal funds rate was reduced nearly to 0% and the yields on Treasury notes declined to historic lows. However, due to elevated levels of inflation and corresponding pressure to raise interest rates, the Federal Reserve announced in January of 2022 that it would be slowing the pace of its bond purchasing and increasing the target range for the federal funds rate over time. The FOMC FDIC since has increased the target range seven eleven times throughout 2022, 2022 to July 2023. As of December 31, 2022 December 31, 2023, the target range for the federal funds rate had been increased to 4.25% 5.25% to 4.50% and the FOMC signaled that future increases may be appropriate in order to attain a monetary policy sufficiently restrictive to return inflation to more normalized levels, 5.50%. Our interest rate spread, net interest margin and net interest income increased during this period of rising interest rates as our interest earning assets generally reprice more quickly than our interest earning liabilities.

If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

Some competitors may offer higher interest rates than the Corporation, which could decrease the deposits that the Corporation attracts or require the Corporation to increase its rates to retain existing deposits or attract new deposits. Increased deposit competition could adversely affect the Corporation's ability to generate the funds necessary for lending operations. As a result, the Corporation may need to seek other sources of funds that may be more expensive to obtain, which could increase the cost of funds and decrease profitability.

Although management believes it has implemented effective asset and liability management strategies, including the potential use of derivatives as hedging instruments, to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations, and any related economic downturn, especially domestically and in the regions in which we operate, may adversely affect our asset quality, deposit levels, loan demand and results of operations. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet.

Like all financial institutions, the Corporation's consolidated statement of financial condition is affected by fluctuations in interest rates. See the section entitled "Quantitative and Qualitative Disclosures About Market Risk" in Management's Discussion and Analysis of Financial Condition, for the Corporation's position on interest earning assets and interest bearing liabilities.

The impact of interest rates on our mortgage banking business can have a significant impact on revenues.

Changes in interest rates can impact the volume of mortgage originations and re-financings, thus impacting our mortgage-related revenues and profitability of our mortgage segment. A decline in mortgage rates generally increases the demand for mortgage loans as borrowers refinance, but also generally leads to accelerated payoffs. Conversely, in a constant or increasing rate environment,

we would expect fewer loans to be refinanced and a decline in payoffs. Although we use models to assess the impact of interest rates on mortgage-related revenues, the estimates of revenues produced by these models are dependent on estimates and assumptions of future loan demand, prepayment speeds and other factors which may differ from actual subsequent experience.

Changes in interest rates could also reduce the value of our residential mortgage-related securities and MSR's, which could negatively affect our earnings.

The Corporation earns revenue from the fees it receives for originating mortgage loans and for servicing mortgage loans. When rates rise, the demand for mortgage loans tends to fall, reducing the revenue the Corporation receives from loan originations. At the same time, revenue from MSR's can increase through increases in fair value. When rates fall, mortgage originations tend to increase and the value of MSR's tends to decline, also with some offsetting revenue effect. Even though the origination of mortgage loans can act as a "natural hedge," the hedge is not perfect, either in amount or timing. For example, the negative effect on revenue from a decrease in the fair value of residential MSR's is immediate, but any offsetting revenue benefit from more originations and the MSR's relating to the new loans would accrue over time. It is also possible that even if interest rates were to fall, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSR's value caused by the lower rates.

The Corporation typically uses derivatives and other instruments to hedge its mortgage banking interest rate risk. The Corporation generally does not hedge all of its risks and the fact that hedges are used does not mean they will be successful. Hedging is a complex process, requiring sophisticated models and constant monitoring. The Corporation could incur significant losses from its hedging activities. There may be periods where the Corporation elects not to use derivatives and other instruments to hedge mortgage banking interest rate risk.

We may be adversely impacted by the transition from LIBOR as a reference rate.

In 2017, the United Kingdom's Financial Conduct Authority announced that after 2021 it would no longer compel banks to submit the rates required to calculate LIBOR. In November 2020, the administrator of LIBOR announced it will consult on its intention to extend the retirement date of certain offered rates whereby the publication of the one week and two month LIBOR offered rates will cease after December 31, 2022; reputation risks, the bank regulatory agencies have indicated that entering into new contracts that use LIBOR as a reference rate after December 31, 2022, would create safety and soundness risks and that they will examine bank practices accordingly. Therefore, the agencies encouraged banks to cease entering into new contracts that use LIBOR as a reference rate by December 31, 2022.

At December 31, 2022, we did not have a significant number of loans, derivative contracts, borrowings and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. Since alternative rates are calculated differently, payments under contracts with new rates will differ from those referencing LIBOR. Transition from LIBOR did not have a material impact on our business, financial condition and results of operations.

Risks Related to Lending Activities

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

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

Nonperforming assets take significant time to resolve and adversely affect the Corporation's results of operations and financial condition.

The Corporation's nonperforming assets adversely affect its net income in various ways. The Corporation does not record interest income on nonaccrual loans, which adversely affects its income and increases credit administration costs. When the Corporation receives collateral through foreclosures and similar proceedings, it is required to mark the related asset to the then fair market value of the collateral less estimated selling costs, which may, and often does, result in a loss. An increase in the level of nonperforming assets also increases the Corporation's risk profile and may impact the capital levels regulators believe are appropriate in light of such risks. The Corporation utilizes various techniques such as workouts, restructurings, and loan sales to manage problem assets. Increases in or negative adjustments in the value of these problem assets, the underlying collateral, or in the borrowers' performance or financial condition, could adversely affect the Corporation's business, results of operations and financial condition. In addition, the resolution of nonperforming assets requires significant commitments of time from management and staff, which can be detrimental to the performance of their other responsibilities, including generation of new loans. There can be no assurance that the Corporation will avoid increases in nonperforming loans in the future.

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

We maintain an allowance ASU 2016-13 (Topic 326 - Credit Losses), commonly referenced as CECL, became effective for us on January 1, 2023. This standard replaced the approach under GAAP for establishing allowances for loan and lease losses at (the "Allowance"), which generally considered only past events and current conditions, with a level 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 CECL, credit losses are measured based on past events, current conditions and reasonable and supportable forecasts of future conditions that affect the collectability of financial assets.

The change to the CECL framework required us to greatly increase the data we believe adequate collect and review to absorb probable losses inherent in our existing loan portfolio. The determine the appropriate level of the allowance reflects management's continuing evaluation for credit losses. The adoption of industry concentrations; specific credit risks; credit loss experience; current loan portfolio quality; present economic, political and regulatory conditions; and unidentified losses inherent CECL may result in greater volatility in the current level of the allowance for credit losses, depending on various factors and assumptions applied in the model, such as the reasonable and supportable forecasted economic conditions and loan portfolio.

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

In addition, in June 2016, the FASB issued ASU 2016-13 (Topic 326 - Credit Losses), commonly referenced as CECL. This standard replaced the approach under GAAP for establishing allowances for loan and lease losses (the "Allowance"), which generally considers only past events and current conditions, with a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, starting when such assets are first originated or acquired. Under the revised methodology, credit losses will be measured based on past events, current conditions and reasonable and supportable forecasts of future conditions that affect the collectability of financial assets.

The change to the CECL framework requires us to greatly increase the data we must collect and review to determine the appropriate level of the allowance for credit losses. The adoption of CECL may result in greater volatility in the level of the allowance for credit losses, depending on various factors and assumptions applied in the model, such as the reasonable and supportable forecasted economic conditions and loan payment behaviors. Any increase in the allowance for credit losses, or expenses incurred to determine the appropriate level of the allowance for credit losses, may have an adverse effect on our financial condition and results of operations.

The Corporation will adopt this new guidance effective January 1, 2023, retrospectively at the beginning of the period of adoption, through a cumulative-effect adjustment to retained earnings at January 1, 2023. The Corporation has largely completed its assessment of related processes, internal controls, and data sources and has developed, documented, and validated a model utilizing a third-party software provider. We are currently evaluating the effect that the new accounting standard will have on the consolidated financial statements and related disclosures. The Corporation anticipates that the Corporation and the Bank will continue to be well capitalized after the negative impact resulting from the adoption of CECL.

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

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

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

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

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

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

Our ability to originate and sell mortgage loans readily is dependent upon the availability of an active secondary market for single-family mortgage loans, which in turn depends in part upon the continuation of programs currently offered by 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 GNMA, FNMA and FHLMC, GSEs whose activities are governed by federal law, any future changes in laws that significantly affect the activity of these GSEs could, in turn, adversely affect our operations. Since September 2008 FNMA and FHLMC have been operating in a conservatorship setup by the U.S. government as a response to the financial crisis of 2008. The FHFA continues to carry out its responsibilities as conservator.

Our SBA lending program is dependent upon the federal government and we face specific risks associated with originating SBA loans.

Our SBA lending program is dependent upon the federal government. As an SBA Preferred Lender, we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the lender's Preferred Lender status. If we lose our status as a Preferred Lender, we may lose some or all of our customers to lenders who are SBA Preferred Lenders. Also, any changes to the SBA program, including changes to the level of guarantee provided by the federal government on SBA loans, could adversely affect our business and earnings.

We generally sell the guaranteed portion of our SBA 7(a) program loans in the secondary market. These sales have resulted in premium income for us at the time of sale and created a stream of future servicing income. We may not be able to continue originating these loans or selling them in the secondary market. Furthermore, even if we are able to continue originating and selling SBA 7(a) program loans in the secondary market, we might not continue to realize premiums upon the sale of the guaranteed portion of these loans. When we sell the guaranteed portion of our SBA 7(a) program loans, we incur credit risk on the non-guaranteed portion of the loans, and if a customer defaults on the non-guaranteed portion of a loan, we share any loss and recovery related to the loan pro-rata with the SBA. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency from us, which could adversely affect our business and earnings.

The laws, regulations and standard operating procedures that are applicable to SBA loan products may change in the future. We cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies, changes in the laws, regulations and procedures applicable to SBA loans could adversely affect our business and earnings.

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

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

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

We sell substantially all of the mortgage loans held for sale that we originated. When mortgage loans are sold, whether as whole loans or pursuant to a securitization, we are required to make customary representations and warranties to purchasers, guarantors and insurers, including the GSEs, about the mortgage loans and the manner in which they were originated. Whole loan sale agreements require repurchase or substitute mortgage loans, or indemnify buyers against losses, in the event we breach these representations or warranties. In addition, we may be required to repurchase mortgage loans as a result of early payment default of the borrower on a mortgage loan, resulting in these mortgage loans being placed on our books and subjecting us to the risk of a potential default.

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

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

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

Many of the loans in our portfolio are secured by real estate. As of December 31, 2022 December 31, 2023, our real estate loans, excluding mortgages held for sale, include \$272.0 million included \$737.9 million of CRE loans (38.6% of total portfolio loans), \$246.4 million of construction and development loans \$59.4 million (12.9% of total portfolio loans), and for consumer loans, \$260.6 million of residential mortgage loans, and \$76.3 million of home equity loans \$565.4 million (17.6% of CRE loans and \$221.8 million of residential mortgage loans, total portfolio loans), with the majority of these real estate loans concentrated in the southeast Pennsylvania, Delaware, and Maryland, southern New Jersey, Jersey, and to a lesser degree in southwest Florida. 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, and weather related events, generally. Southeast Pennsylvania, Delaware, and Maryland, southern New Jersey, has and southwest Florida have 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 Maryland, southern New Jersey, and Southwest Florida, 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.

CRE loans generally involve a greater degree of credit risk than residential real estate mortgage loans because they typically have larger balances and are more affected by adverse conditions in the economy. Because payments on loans secured by commercial real estate often depend upon the successful operation and management of the properties and the businesses which operate from within them, repayment of such loans may be affected by factors outside the borrower's control, such as adverse conditions in the real estate market or the economy or changes in government regulations. In recent years, commercial real estate markets have been particularly impacted by the economic disruption resulting from the COVID-19 pandemic. The COVID-19 pandemic has also been a catalyst for the evolution of various remote work options which could impact the long-term performance of some types of office properties within our commercial real estate portfolio. Accordingly, the federal

banking regulatory agencies have expressed concerns about weaknesses in the current commercial real estate market. Failures in our risk management policies, procedures and controls could adversely affect our ability to manage this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio, which, accordingly, could have a material adverse effect on our business, financial condition and results of operations.

Risks Related our Wealth Management Business

An economic slowdown could impact Meridian Wealth division revenues.

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

Risks Related to Regulation

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

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

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

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

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

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

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

General Risk Factors

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

Our stock price may fluctuate significantly in response to a variety of factors including, among other things:

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

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

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

There also are provisions in our articles of incorporation and our bylaws, such as limitations on the ability to call a special meeting of our shareholders, that may be used to delay or block a takeover attempt. In addition, our board of directors are 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.

Risks Related to COVID-19

The COVID-19 pandemic has disrupted economic conditions, the financial and labor markets and workplace operating environments.

The COVID-19 pandemic created extensive economic and financial disruptions that adversely affected our business, financial condition, liquidity and results of operations. Federal and state governments have taken unprecedented actions to respond to such disruptions, including by enacting fiscal stimulus measures and legislation designed to deliver monetary aid and other relief.

The widespread availability of multiple COVID-19 vaccines and boosters has helped to curtail rates of infection in many parts of the United States and, in turn, mitigate many of the adverse social and economic effects of the pandemic. However, vaccination rates in many geographies have been lower than anticipated and the emergence of novel variants of COVID-19, as well as other viruses that largely were not present in many geographies for an extended period of time due to COVID-19-related activity restrictions, have complicated the efforts of the medical community and federal, state and local governments to manage social and economic disruptions caused by the pandemic.

The effects of the COVID-19 pandemic have varied significantly by region, and the extent of the effects of the pandemic on the U.S. and global economies, labor markets and financial markets are likely to continue to change. Future developments will be highly uncertain and cannot be predicted, including the effectiveness of post-pandemic remote working arrangements, third party providers' ability to continue to support our operations, and any further actions taken by governmental authorities and other third parties. Accordingly, the pandemic and related dynamics could continue to materially and adversely affect our business, operations, operating results, financial condition, liquidity or capital levels.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

We have taken a cross-departmental approach to addressing cybersecurity risk, including input from employees and our Board of Directors (the "Board"). The Board, Audit Committee, senior management and the IT Steering Committee (a task force comprised of senior representatives from all functional areas of the bank) devote significant resources to cybersecurity and risk management processes to adapt to the changing cybersecurity landscape and respond to emerging threats in a timely and effective manner. We regularly assess the threat landscape and take a holistic view of cybersecurity risks, with a layered cybersecurity strategy based on prevention, detection and mitigation. Our information technology (IT) security team reviews enterprise risk management-level cybersecurity risks annually, and key cybersecurity risks are incorporated into the IT Steering Committee's framework. In addition, we have a set of Company-wide policies and procedures concerning cybersecurity matters, which include an IT security manual as well as other policies that directly or indirectly relate to cybersecurity, such as policies related to encryption standards, antivirus protection, remote access, multifactor authentication, confidential information and the use of the internet, social media, email and wireless devices. These policies go through an internal review process and are approved by appropriate members of management. We have designed our enterprise-wide information security programs consistent with industry standards using the National Institute of Standards and Technology Cybersecurity Framework.

The Corporation's Information Security Officer is responsible for developing and implementing our information security program and reporting on cybersecurity matters to the Board. Our Information Security Officer has over a decade of experience leading cyber security oversight, and others on our IT security team have cybersecurity experience or certifications. We view cybersecurity as a shared responsibility, and we periodically perform simulations and tabletop exercises at a management level and incorporate external resources and advisors as needed. All employees are required to complete cybersecurity trainings on an annual basis and have access to more frequent cybersecurity trainings through online trainings. We also require employees in certain roles to complete additional role-based, specialized cybersecurity trainings.

We have continued to expand investments in IT security, including additional end-user training, using layered defenses, identifying and protecting critical assets, strengthening monitoring and alerting, and engaging experts. We regularly test defenses by performing simulations and drills at both a technical level (including through penetration tests) and by reviewing our operational policies and procedures with third-party experts. At the management level, our IT security team regularly monitors alerts and meets to discuss threat levels, trends and remediation. The team also prepares a monthly cyber scorecard, regularly collects data on cybersecurity threats and risk areas and conducts an annual risk assessment. Further, we conduct periodic external penetration tests, and maturity testing to assess our processes and procedures and the threat landscape. These tests and assessments are useful tools for maintaining a robust cybersecurity program to protect our investors, customers, employees, vendors, and intellectual property. In addition to assessing our own cybersecurity preparedness, we also consider and evaluate cybersecurity risks associated with use of third-party service providers. Our Internal Audit team conducts an annual review of third-party hosted applications with a specific focus on any sensitive data shared with third parties. The internal business owners of the hosted applications are required to document user access reviews at least annually and provide from the vendor a System and Organization Controls (SOC) 1 or SOC 2 report. If a third-party vendor is not able to provide a SOC 1 or SOC 2 report, we take additional steps to assess their cybersecurity preparedness and assess our relationship on that basis. Our assessment of risks associated with use of third-party providers is part of our overall cybersecurity risk management framework.

The IT Steering Committee and the full Board actively participate in discussions with management regarding cybersecurity risks. The IT Steering Committee performs an annual review of the Corporation's cybersecurity program, which includes discussion of management's actions to identify and detect threats, as well as planned actions in the event of a response or recovery situation. The IT Steering Committee's annual review also includes review of recent enhancements to the Corporation's defenses and management's progress on its cybersecurity strategic roadmap. In addition, the Board receives quarterly cybersecurity reports, which include a review of key performance indicators, test results and related remediation, and recent threats and how the Corporation is managing those threats. Further, at least annually, the Board receives updates on the Corporation's Incident Response Plan, which covers, among other things, potential cybersecurity incidents, data privacy and its compliance programs. To aid the Board with its cybersecurity and data privacy oversight responsibilities, the Board periodically hosts experts for presentations on these topics.

We face a number of cybersecurity risks in connection with our business. Although such risks have not materially affected us, including our business strategy, results of operations or financial condition, to date, we have, from time to time, experienced threats to and breaches of our data and systems, including malware and computer virus attacks. For more information about the cybersecurity risks we face, see the risk factor entitled "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." in Item 1A- Risk Factors.

Item 2. Properties

The Corporation is headquartered in Malvern, Pennsylvania and has six full-service branches. Its main branch, in Paoli, serves the Main Line. The West Chester and Media branches serve Chester and Delaware counties, respectively, while the Doylestown and Blue Bell branches serve Bucks and Montgomery counties, respectively. In addition to our deposit taking branches, there are currently 18 other offices, including headquarters for Corporate and Operations, the Wealth Division and the Mortgage Division. Other than our corporate and operations headquarters, all of our offices are leased. The Bank had a net book value of **\$10.1 million** **\$10.8 million** for all locations at **December 31, 2022** **December 31, 2023**.

Branch locations:

- **Paoli Wayne Branch** – 1176 220 W Lancaster Avenue, **Paoli, Wayne, PA 19301** **19087**
- West Chester Branch – 16 W. Market Street, West Chester, PA 19382
- Media Branch – 100 E. State Street, Media, PA 19063
- Doylestown Branch – 1719A S. Easton Road, Doylestown, PA 18901
- Blue Bell Branch – 653 Skippack Pike, Ste. 116, Blue Bell, PA 19422
- Philadelphia Branch – 1760 Market Street, Philadelphia, PA 19103

Other offices:

- Corporate Headquarters – 9 Old Lincoln Highway, Malvern, PA 19355
- Mortgage Headquarters – 653 Skippack Pike, Suite 200, Blue Bell, PA 19462

- Operations Headquarters – 367 Eagleview Boulevard, Exton, PA 19341
- Meridian Wealth Office – 653 Skippack Pike, Suite 200, Blue Bell, PA 19462
- SBA Lending Group Office -1760 Market Street, Philadelphia, PA 19103
- Commercial Loan Office – 24860 S. Tamiami Trail, Suite 3, Bonita Springs, FL 34134
- Commercial Loan Office / Mortgage Loan Production Office – 1601 Concord Pike, Suite 45, Wilmington, DE 19803 8894 Stanford Boulevard, #203, Columbia, MD 21045
- 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 – 350 Highland Drive, Suite 160, Mountville, PA 17554
- Mortgage Loan Production Office – 2330 New Road, Northfield, NJ 08225
- Mortgage Loan Production Office – 1221 College Park Drive, Suite 118, Dover, DE 19904
- Mortgage Loan Production Office – 8894 Stanford Boulevard, #203, Columbia, MD 21045
- Mortgage Loan Production Office – 2448 Holly Avenue, Ste. 100, Annapolis, MD 21401
- Mortgage Loan Production Office – 110 West Road, Towson, MD 21204
- Mortgage Loan Production Office – 9515 Deereco Road, Timonium, MD 21093
- Mortgage Loan Production Office – 4940 Campbell Blvd., Baltimore, MD 21236
- Mortgage Loan Production Office – 15722 Crabbs Branch Way, Ste. 2D, Rockville, MD 20855

Item 3. Legal Proceedings

None.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Shares of our common stock trade on the NASDAQ Global Select Market under the symbol "MRBK". All share and per share amounts have been adjusted to reflect the two-for-one stock split effective February 28, 2023. As of March 10, 2023 March 11, 2024, there were approximately 1,655 1,602 registered shareholders of the Corporation's common stock. Certain shares are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

Share Repurchases

The following table presents the We did not repurchase any shares repurchased by of the Corporation during the fourth quarter of 2022:

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value that May Yet Be Purchased Under the Plan or Programs (1)
Dollars in thousands except share data				
October 1, 2022 to October 31, 2022	86,602	\$ 15.43	86,602	
November 1, 2022 to November 30, 2022	126,794	15.66	126,794	
December 1, 2022 to December 31, 2022	33,486	15.21	33,486	
Total	246,882	\$ 15.52		\$ 4,652

(1) 2023. On August 30, 2021, the Corporation announced a stock repurchase plan pursuant to which the Corporation may repurchase up to \$20 million of the company's outstanding common stock, par value \$1.00 per share. Stock is purchased under the plan from time to time in the open market or through privately negotiated transactions, or otherwise, at the discretion of management of the company in accordance with legal requirements. requirements. On April 22, 2023, the stock repurchase plan expired. The total amount of stock repurchased under the plan was \$19.6 million in total.

Dividend Policy

In 2020 the Corporation commenced quarterly cash dividends on its common stock. Future dividend payments will depend upon maintenance of a strong financial condition, future earnings and capital and regulatory requirements. Also, the Corporation and the Bank are subject to restrictions on the amount of dividends that may be paid without approval of banking regulatory authorities.

Dividend amounts have been adjusted to reflect the two-for-one stock split effective February 28, 2023. During 2022, 2023, and 2021, 2022, the Board of Directors declared paid cash dividends as follows:

Date Declared	Date of Record	Date Paid	Quarterly Dividend \$		Special Dividend \$
—					
0.50					
—					
—					
—					
January 27, 2022	February 14, 2022	February 21, 2022	\$	—	\$ 0.50
April 28, 2022	May 16, 2022	May 23, 2022	\$	0.10	\$ —
July 28, 2022	August 15, 2022	August 22, 2022	\$	0.10	\$ —
October 27, 2022	November 14, 2022	November 21, 2022	\$	0.10	\$ —
January 26, 2023	February 14, 2023	February 21, 2023	\$	0.125	\$ —
April 27, 2023	May 15, 2023	May 22, 2023	\$	0.125	\$ —
July 27, 2023	August 14, 2023	August 21, 2023	\$	0.125	\$ —
October 26, 2023	November 13, 2023	November 20, 2023	\$	0.125	\$ —

Item 6. Reserved

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

The following discussion is intended to assist in understanding the financial condition and results of operations of Meridian as of and for the year ended **December 31, 2022** **December 31, 2023**. The information contained in this section should be read together with the **December 31, 2022** **December 31, 2023** audited Consolidated Financial Statements and the accompanying Notes included in Item 8. Financial Statements And Supplementary Data of this Form 10-K.

This section of this Form 10-K generally discusses **2022** **2023** and **2021** **2022** items and year-to-year comparisons between **2022** **2023** and **2021**. Discussions of **2021** items and year-to-year comparisons between **2021** and **2020** that are not included in this Form 10-K can be found **2022**.

in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Corporation's Form 10-K for the fiscal year ended December 31, 2021.

Recent Market Conditions

Our financial condition and performance, as well as the ability of our borrowers to repay their loans, the value of collateral securing those loans, and demand for loans and other products and services that we offer, are all highly dependent on the business environment in the primary markets in which we operate and in the United States as a whole.

Bank Sector Concerns

Meridian is a regional community bank with loans and deposits that are well diversified in size, type, location and industry. We manage this diversification carefully, while avoiding concentrations in business lines. Meridian's model continues to build on our strong and stable financial position, which serves our regional customers and communities with the banking products and services needed to help build their prosperity.

Total balance sheet liquidity, which is derived from cash and investments, as well as salable commercial loans and residential mortgage loans held for sale, was **\$264.4 million** **\$273.4 million** at **December 31, 2022** **December 31, 2023**. Meridian maintains a high-quality investment bond portfolio comprised of U.S. Treasuries, government agencies, government agency mortgage-backed securities, and general obligation municipal securities with an average duration of **4.4** years. Meridian's investment portfolio represented **8.5%** **8.2%** of total assets at **December 31, 2022** **December 31, 2023**.

Meridian also maintains borrowing arrangements with various correspondent banks to meet short-term liquidity needs and has access to approximately **\$850 million** **\$987 million** in liquidity from numerous sources including its borrowing capacity with the FHLB and other financial institutions, as well as funding through the CDARS program or through brokered CD arrangements. In addition, the Bank is eligible to receive funds under the new Bank Term Funding Program announced by the Federal Reserve. Management believes that the above sources of liquidity provide Meridian with the necessary resources to meet its short-term and long-term funding requirements.

COVID-19 Concerns

As discussed further in Part I, Item 1, during the first quarter of 2020, an outbreak of COVID-19 spread around the world, including the United States. COVID-19 and its associated impacts on trade (including supply chains and export levels), travel, employee productivity and other economic activities had a destabilizing effect on financial markets and economic activity.

The U.S. economy has since strengthened despite the spread of COVID-19 variants, with higher inflation and housing values beginning in 2021. Also, the ongoing global supply chain issues and the military conflict between Russia and Ukraine contributed to higher inflation in 2022. In response, the Federal Reserve began normalizing monetary policy with its decision in late 2021 to taper its quantitative easing and raising the federal funds rate beginning in March 2022. Inflation remains elevated in 2022, reflecting supply and demand imbalances related to COVID-19 and its variants, higher food and energy prices from the military conflict between Russia and Ukraine, and broader price pressures. The Federal Reserve has raised interest rates significantly throughout 2022 and in the early part of 2023 in attempts to bring the inflation to its long run target rate of two percent. Future rate hikes are expected during the remainder of 2023, as the Federal Reserve has indicated ongoing interest rate increases in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to two percent over time.

Significant uncertainties as to future economic conditions continue to exist, including higher inflation, global supply chain issues, and higher oil and commodity prices exacerbated by the military conflict between Russia and Ukraine. We have taken deliberate actions in response, including maintaining higher reserves for credit losses on loans and leases and off-balance sheet credit exposures and strong capital ratios. As our commercial loan portfolio has a high percentage of variable rate loans, we are well positioned to take advantage of this in a rising rate environment. We are also focused on growing our non-interest bearing and lower-cost interest-bearing deposits to position the Bank for higher interest rates. We also continue to monitor closely the impact of COVID-19 and its variants, macroeconomic uncertainties, as well as any effects that may result from the federal government's responses including future rate hikes; however, the extent to which these factors will impact our operations and financial results in 2023 is highly uncertain.

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

		2022	2021						
	2023						2023		2022
Return on average assets	Return on average assets	1.18 %	2.06 %	Return on average assets			0.61 %		1.18 %
Return on average equity	Return on average equity	13.87 %	23.74 %	Return on average equity			8.53 %		13.87 %
Net interest margin (tax effected yield)	Net interest margin (tax effected yield)	3.98 %	3.77 %	Net interest margin (tax effected yield)			3.35 %		3.98 %
Basic earnings per share	Basic earnings per share	\$1.85	\$2.96						
Diluted earnings per share	Diluted earnings per share	\$1.79	\$2.87						

The following table presents certain key period-end balances and ratios at the dates indicated:

(dollars in thousands, except per share amounts)	(dollars in thousands, except per share amounts)	December 31, 2022	December 31, 2021		December 31, 2023	December 31, 2022
Book value per common share	Book value per common share	\$ 13.37	\$ 13.54			
Tangible book value per common share ⁽¹⁾	Tangible book value per common share ⁽¹⁾	\$ 13.01	\$ 13.19			
Allowance as a percentage of loans and leases held for investment	Allowance as a percentage of loans and leases held for investment	1.08 %	1.35 %	Allowance as a percentage of loans and leases held for investment	1.17 %	1.08 %
Allowance as a percentage of loans and leases held for investment (excl. loans at fair value and PPP loans) ⁽¹⁾	Allowance as a percentage of loans and leases held for investment (excl. loans at fair value and PPP loans) ⁽¹⁾	1.09 %	1.46 %			
Allowance as a percentage of loans and leases held for investment (excl. loans at fair value) ⁽¹⁾	Allowance as a percentage of loans and leases held for investment (excl. loans at fair value) ⁽¹⁾			Allowance as a percentage of loans and leases held for investment (excl. loans at fair value) ⁽¹⁾	1.17 %	1.09 %
Tier I capital to risk weighted assets	Tier I capital to risk weighted assets	8.8 %	10.8 %	Tier I capital to risk weighted assets	7.9 %	8.8 %

Tangible common equity to tangible assets ratio	Tangible common equity to tangible assets ratio								
(1)	(1)	8.1 %	9.4 %	Tangible common equity to tangible assets ratio (1)					
						6.9 %		8.1 %	
Loans and other finance receivables, net of fees and costs	Loans and other finance receivables, net of fees and costs	\$1,743,682	\$1,386,457						
Total assets	Total assets	\$2,062,228	\$1,713,443						
Total stockholders' equity	Total stockholders' equity	\$ 153,280	\$ 165,360						

(1) Non-GAAP financial measure. See "Non-GAAP Financial Measures" below for Non-GAAP to GAAP reconciliation.

Components of Net Income

Net income is comprised of five major elements:

- **Net Interest Income**, or the difference between the interest income earned on loans, leases and investments and the interest expense paid on deposits and borrowed funds;
- **Provision For Loan and Lease Credit Losses**, or the amount added to the Allowance to provide for **estimated inherent current expected credit** losses on portfolio loans and leases;
- **Non-interest Income**, which is made up primarily of mortgage banking income, wealth management income, SBA loan sale income, fair value adjustments, gains and losses from the sale of loans, gains and losses from the sale of investment securities available for sale and other fees from loan and deposit services;
- **Non-interest Expense**, which consists primarily of salaries and employee benefits, occupancy, professional fees, advertising & promotion, data processing, information technology, loan expenses, and other operating expenses; and
- **Income Taxes**, which include state and federal jurisdictions.

NET INTEREST INCOME

Net interest income is an integral source of the Corporation's income. The tables below present a summary for the **year years** ended **December 31, 2022** **December 31, 2023** and **2021, 2022**, of the Corporation's average balances and yields earned on its interest-earning assets and the rates paid on its interest-bearing liabilities. The net interest margin is the net interest income as a percentage of average interest-earning assets. The net interest spread is the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities. The difference between the net interest margin and the net interest spread is the result of net free funding sources such as non-interest bearing deposits and stockholders' equity.

Analyses of Interest Rates and Interest Differential

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

		For the Year Ended December 31,							
		For the Year Ended December 31,							
		For the Year Ended December 31,							
		For the Year Ended December 31,							
		2022				2021			
		Average Balance		Interest Income/ Expense		Yields/ Rates		Average Balance	
(dollars in thousands)	(dollars in thousands)								
(dollars in thousands)	(dollars in thousands)	Average Balance		Interest Income/ Expense		Yields/ Rates		Average Balance	
Assets:	Assets:								
Due from banks		\$	21,045	\$	279	1.33	%	\$	30,844
								\$	41
									0.13
									%
Assets:									
Assets:									
Cash and cash equivalents									
Cash and cash equivalents									
Cash and cash equivalents									
Federal funds sold	Federal funds sold		1,160		7	0.60			17,823
									7
									0.04
Investment securities - taxable (1)			106,246		2,420	2.28			83,720
									1,463
									1.75
Federal funds sold									

Federal funds sold									
Investment securities - taxable									
Investment securities - taxable									
Investment securities - taxable									
Investment securities - tax exempt (1)									
Investment securities - tax exempt (1)									
Investment securities - tax exempt (1)	Investment securities - tax exempt (1)	63,425	1,691	2.67		64,440	1,464	2.27	
Loans held for sale	Loans held for sale	44,238	1,872	4.23		125,444	3,540	3.76	
Loans held for sale									
Loans held for sale									
Loans held for investment (1)									
Loans held for investment (1)									
Loans held for investment (1)	Loans held for investment (1)	1,535,943	82,764	5.39		1,358,282	65,292	4.81	
Total loans	Total loans	1,580,181	84,636	5.36		1,483,726	68,832	4.64	
Total loans									
Total loans									
Total interest-earning assets									
Total interest-earning assets									
Total interest-earning assets	Total interest-earning assets	1,772,057	89,033	5.02	%	1,680,553	71,807	4.27	%
Noninterest earning assets	Noninterest earning assets	76,983				48,015			
Noninterest earning assets									
Noninterest earning assets									
Total assets									
Total assets									
Total assets	Total assets	\$ 1,849,040				\$ 1,728,568			
Liabilities and stockholders' equity:	Liabilities and stockholders' equity:								
Liabilities and stockholders' equity:									
Interest-bearing demand deposits									
Interest-bearing demand deposits									
Interest-bearing demand deposits	Interest-bearing demand deposits	\$ 237,554	\$ 2,570	1.08	%	\$ 257,950	\$ 880	0.34	%
Money market and savings deposits	Money market and savings deposits	703,561	7,854	1.12		630,977	3,346	0.53	
Money market and savings deposits									
Money market and savings deposits									
Time deposits									
Time deposits									
Time deposits	Time deposits	354,822	4,972	1.40		245,923	1,268	0.52	
Total deposits	Total deposits	1,295,937	15,396	1.19		1,134,850	5,494	0.48	
Total deposits									
Total deposits									
Borrowings									
Borrowings									
Borrowings	Borrowings	27,637	830	3.00		119,721	534	0.45	

Subordinated debentures	Subordinated debentures	40,560	2,366	5.83	40,724	2,383	5.85
Subordinated debentures							
Subordinated debentures							
Total interest-bearing liabilities							
Total interest-bearing liabilities							
Total interest-bearing liabilities	Total interest-bearing liabilities	1,364,134	18,592	1.36	1,295,295	8,411	0.65
Noninterest-bearing deposits	Noninterest-bearing deposits	296,563			258,298		
Noninterest-bearing deposits							
Noninterest-bearing deposits							
Other noninterest-bearing liabilities							
Other noninterest-bearing liabilities							
Other noninterest-bearing liabilities	Other noninterest-bearing liabilities	30,929			25,100		
Total liabilities	Total liabilities	1,691,626			1,578,693		
Total liabilities							
Total liabilities							
Total stockholders' equity							
Total stockholders' equity							
Total stockholders' equity	Total stockholders' equity	157,414			149,875		
Total stockholders' equity and liabilities	Total stockholders' equity and liabilities						
	liabilities	\$ 1,849,040			\$ 1,728,568		
Total stockholders' equity and liabilities							
Total stockholders' equity and liabilities							
Net interest income and spread (1)							
Net interest income and spread (1)							
Net interest income and spread (1)	Net interest income and spread (1)	\$ 70,441	3.66		\$ 63,396	3.62	
Net interest margin (1)	Net interest margin		3.98 %			3.77 %	
Net interest margin (1)							
Net interest margin (1)							

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

Rate/Volume Analysis

The rate/volume analysis table below analyzes dollar changes in the components of interest income and interest expense as they relate to the change in balances (volume) and the change in interest rates (rate) of tax-equivalent net interest income for the year ended **December 31, 2022** **December 31, 2023** as compared to the **same periods in 2021**, year ended **December 31, 2022**, allocated by rate and volume. Changes in interest income and/or expense attributable to both volume and rate have been allocated proportionately based on the relationship of the absolute dollar amount of the change in each category.

2022 Compared to 2021									
2023 Compared to 2022					2023 Compared to 2022				
(dollars in thousands)	(dollars in thousands)	Rate	Volume	Total	(dollars in thousands)	Rate	Volume		Total
Interest income:	Interest income:								
Due from banks		\$ 255	\$ (17)	\$ 238					
Cash and cash equivalents									
Cash and cash equivalents									
Cash and cash equivalents									
Federal funds sold	Federal funds sold	12	(12)	—					

Investment securities - taxable ⁽¹⁾		507	450	957
Investment securities - taxable				
Investment securities - tax exempt ⁽¹⁾	Investment securities - tax exempt ⁽¹⁾	250	(23)	227
Loans held for sale	Loans held for sale	1,270	(2,938)	(1,668)
Loans held for investment ⁽¹⁾	Loans held for investment ⁽¹⁾	8,395	9,077	17,472
Total loans	Total loans	9,665	6,139	15,804
Total interest income	Total interest income	\$ 10,689	6,537	17,226
Interest expense:	Interest expense:			
Interest-bearing demand deposits	Interest-bearing demand deposits			
Interest-bearing demand deposits	Interest-bearing demand deposits	\$ 1,765	(75)	1,690
Money market and savings deposits	Money market and savings deposits	4,083	425	4,508
Time deposits	Time deposits	2,945	759	3,704
Total deposits	Total deposits	8,793	1,109	9,902
Borrowings	Borrowings	985	(689)	296
Subordinated debentures	Subordinated debentures	(7)	(10)	(17)
Total interest expense	Total interest expense	9,771	410	10,181
Interest differential	Interest differential	\$ 918	\$ 6,127	\$ 7,045

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

Interest income increased \$17.2 million \$47.9 million on a tax equivalent basis, year over year, due to a higher yield on earning assets, which went up 75 increased 160 basis points, in addition to a higher level of average earning assets, which increased by \$91.5 million. Included in interest income was approximately \$280 thousand of one-time fees and interest recapture from the quarter ended December 31, 2022 \$296.8 million. The average yield on loans held for investment increased 58 156 basis points and the yield on cash and investments increased 46 119 basis points in total, reflecting the impact in on rates caused by the Federal Reserve's monetary policy. Average total loans held for investment excluding PPP loans and residential loans for sale, increased \$315.7 million \$314.1 million, most notably in commercial real estate and construction, commercial loans and leases and small business loans, which increased \$190.8 million \$191.5 million on average, combined. Home equity loans and residential real estate loans held in portfolio increased \$44.6 million \$157.1 million on average, combined. Residential loans for sale and PPP loans decreased \$81.2 million, and \$138.0 million \$21.0 million on average, respectively, average.

Interest expense increased \$10.2 million \$49.1 million, year over year, due primarily to market interest rate rises, as well as an increase of \$161.1 million \$221.2 million in average interest bearing deposits. Interest expense on deposits increased \$9.9 million \$42.4 million with the cost of interest-bearing deposits increasing 71 262 basis points to 1.19% 3.81%. Total cost of deposits increased 58 227 basis points reflecting an increase a decrease of \$38.3 million \$29.2 million in average non-interest bearing deposits. Interest expense on borrowings increased \$296 thousand \$6.4 million as the cost increased 255 199 basis points, and total average short-term borrowings decreased \$92.1 million increased \$117.9 million.

Net interest margin increased 21 decreased 63 basis points to 3.35% for the year ended December 31, 2023 from 3.98% for the year ended December 31, 2022 from 3.77% for the year ended December 31, 2021, as the increase in yield on earnings assets was higher than outpaced by the increase of in costs of funds, helped impacted also by the \$38.3 million increase \$29.2 million decrease in average non-interest bearing deposits. Excluding the impact from PPP, net interest margin increased 20 basis points to 3.92% from 3.72%. A reconciliation of this non-GAAP measure is included in the Appendix.

PROVISION FOR LOAN AND LEASE CREDIT LOSSES

The provision for loan credit losses was \$2.5 million \$6.8 million for the year ended December 31, 2022 December 31, 2023, compared to an \$1.1 million a \$2.5 million provision for the year ended December 31, 2021 December 31, 2022. The provision for credit losses for the year ended December 31, 2023 was calculated under the current expected credit losses method, while the provision for

the year ended December 31, 2022 was calculated under the incurred loss model, which impacts comparability. The overall provision for credit losses for 2023 is comprised of provisioning for funded loans as well as unfunded loan commitments. The increase in the provision period over period is the result of for funded loans was due to a \$4.7 million increase in specific reserves on new, mainly small business loans, and existing non-accrual loans combined with provisioning for loan growth and charge-offs, offset partially by an improvement charge-offs. \$2.3 million of the increase in specific reserves related to a commercial loan relationship for which new information became available related to the value of the underlying collateral, and an estimate of disposition costs. This increase was partially offset by the trend impact of favorable changes in economic qualitative certain portfolio baseline loss rates and some macroeconomic factors underlying the funded loss model. The provision for unfunded loan commitments decreased \$419 thousand during the year due to the impact of favorable changes in certain portfolio baseline loss rates and some macroeconomic factors underlying the allowance for loan losses calculation, unfunded loss model.

NON-INTEREST INCOME

The following table presents the components of non-interest income for the periods indicated:

Year Ended December 31,													
Year Ended December 31,													
(Dollars in thousands)													
(Dollars in thousands)													
(Dollars in thousands)	(Dollars in thousands)	2022	2021	\$ Change	% Change	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Mortgage banking income	Mortgage banking income	\$25,325	\$75,932	\$(50,607)	(66.6)%	Mortgage banking income	\$16,537	\$25,325	\$(8,788)	(34.7)%	Mortgage banking income	\$16,537	\$(8,788) (34.7)%
Wealth management income	Wealth management income	4,733	4,801	(68)	(1.4)%	Wealth management income	4,928	4,733	195	4.1%	Wealth management income	4,928	195 4.1%
SBA loan income	SBA loan income	4,467	6,898	(2,431)	(35.2)%	SBA loan income	4,485	4,467	18	0.4%	SBA loan income	4,485	18 0.4%
Earnings on investment in life insurance	Earnings on investment in life insurance	553	365	188	51.5%	Earnings on investment in life insurance	789	553	236	42.7%	Earnings on investment in life insurance	789	236 42.7%
Net change in the fair value of derivative instruments	Net change in the fair value of derivative instruments	(703)	(4,338)	3,635	(83.8)%	Net change in the fair value of derivative instruments	91	(703)	794	(112.9)%	Net change in the fair value of derivative instruments	91	(703) (112.9)%
Net change in the fair value of loans held-for-sale	Net change in the fair value of loans held-for-sale	(844)	(3,311)	2,467	(74.5)%	Net change in the fair value of loans held-for-sale	32	(844)	876	(103.8)%	Net change in the fair value of loans held-for-sale	32	(844) (103.8)%
Net change in the fair value of loans held-for-investment	Net change in the fair value of loans held-for-investment	(2,408)	(189)	(2,219)	1174.1%	Net change in the fair value of loans held-for-investment	132	(2,408)	2,540	(105.5)%	Net change in the fair value of loans held-for-investment	132	(2,408) (105.5)%
Net gain on hedging activity	Net gain on hedging activity	5,439	2,961	2,478	83.7%	Net gain on hedging activity	28	5,439	(5,411)	(99.5)%	Net gain on hedging activity	28	(5,411) (99.5)%
Net gain on sale of investment securities available-for-sale	Net gain on sale of investment securities available-for-sale	—	435	(435)	(100.0)%	Net gain on sale of investment securities available-for-sale	—	—	—	—	Net gain on sale of investment securities available-for-sale	—	—
Service charges	Service charges	125	129	(4)	(3.1)%	Service charges	125	129	(4)	(3.1)%	Service charges	125	(4) (3.1)%
Net loss on sale of investment securities available-for-sale	Net loss on sale of investment securities available-for-sale	—	—	—	—	Net loss on sale of investment securities available-for-sale	(58)	—	(58)	(100.0)%	Net loss on sale of investment securities available-for-sale	(58)	— (100.0)%

Other	Other	5,037	4,305	732	17.0 %	Other	5,001	5,162	5,162	(161)	(161)	(3.1)	(3.1) %
Total non-interest income	Total non-interest income	\$41,724	\$87,988	\$(46,264)	(52.6) %	Total non-interest income	\$31,965	\$41,724	\$(9,759)	(23.4)	(23.4)	(23.4) %	

Total non-interest income decreased \$46.3 million \$9.8 million largely as a result of lower mortgage banking revenue, and to a lesser degree, lower SBA loan sale income. Mortgage banking income was down \$50.6 million \$8.8 million, due primarily to lower levels of mortgage loan originations as rising interest rates and lack of housing inventory has had a negative impact on mortgage banking activity. Partially offsetting activity throughout the year. Compounding the impact of the decline in mortgage banking income were net changes in the fair value of derivative instruments and loans held-for-sale, along with an improvement a decline in net gains on hedging activity increased \$8.6 million that decreased \$3.7 million, combined, year over year.

SBA loan sale income decreased \$2.4 million, or 35.2%, over the prior year, was relatively unchanged year-over-year, despite an increase of \$8.8 million \$9.1 million, 13.0% or 12.0%, in the volume of loans sold in 2022 2023 compared to 2021, 2022. The upward movement in interest rates during 2022 2023 had a negative impact on gross margins on the SBA loan sales, which declined to 7.4% 6.7% for all sales in 2022, 2023, compared to 11.4% 7.4% in 2021. Also contributing to the decline in income was increased amortization of \$340 thousand and increased impairment of \$211 thousand on SBA servicing assets, 2022.

The net change in the fair value of loans held-for-investment decreased increased \$2.5 million to a loss gain of \$2.4 million \$132 thousand for the year ended December 31, 2022 December 31, 2023, compared to a loss of \$189 thousand \$2.4 million for the comparable prior year, due to the negative impact the rising interest rate environment had on the fair value of the loans in portfolio that are held at fair value. Other non-interest income was up \$732 thousand due to increases in title fee income, swap fee income, FHLB stock dividend income and broker fee income.

NON-INTEREST EXPENSE

The following table presents the components of non-interest income expense for the periods indicated:

		Year Ended December 31,													
		Year Ended December 31,													
(Dollars in thousands)	(Dollars in thousands)	2022	2021	\$ Change	% Change	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change		
Salaries and employee benefits	Salaries and employee benefits	\$54,378	\$78,866	\$(24,488)	(31.1)%	Salaries and employee benefits	\$47,377	\$54,378	\$(7,001)	(12.9)%	Salaries and employee benefits	\$47,377	\$54,378	\$(7,001)	(12.9)%
Occupancy and equipment	Occupancy and equipment	4,837	4,545	292	6.4%	Occupancy and equipment	4,842	4,837	5	0.1%	Occupancy and equipment	4,842	4,837	5	0.1%
Professional fees	Professional fees	3,635	3,558	77	2.2%	Professional fees	4,312	3,635	677	18.6%	Professional fees	4,312	3,635	677	18.6%
Advertising and promotion	Advertising and promotion	4,336	3,714	622	16.7%	Advertising and promotion	3,730	4,336	\$(606)	(14.0)%	Advertising and promotion	3,730	4,336	\$(606)	(14.0)%
Data processing and software	Data processing and software	5,451	4,382	1,069	24.4%	Data processing and software	6,415	5,451	964	17.7%	Data processing and software	6,415	5,451	964	17.7%
Pennsylvania bank shares tax		793	609	184	30.2%										
FDIC premiums						FDIC premiums	2,929	1,247	1,682	134.9%	FDIC premiums	2,929	1,247	1,682	134.9%
Other	Other	8,014	8,053	(39)	(0.5)%	Other	7,520	7,560	\$(40)	(0.5)%	Other	7,520	7,560	\$(40)	(0.5)%
Total non-interest expense	Total non-interest expense	\$81,444	\$103,727	\$(22,283)	(21.5)%	Total non-interest expense	\$77,125	\$81,444	\$(4,319)	(5.3)%	Total non-interest expense	\$77,125	\$81,444	\$(4,319)	(5.3)%

Total non-interest expense decreased \$22.3 million \$4.3 million mainly due largely to a decrease in salaries and employee benefits expense at the mortgage segment, which recognized decreased fixed and variable compensation, compensation as the volume of loan originations and sales were both down year-over-year. Partially offsetting this decrease was an increase for the bank and wealth segments salaries & benefits due to an increase in as FTEs were up and a higher level of stock-based compensation expense.

Professional fees increased \$677 thousand as we incurred OREO expense during the year to maintain the one property held, non-performing loan and lease workout expenses increased, and we also incurred system conversion fees for a new loan servicing platform for our mortgage segment. Advertising and promotion expense increased decreased \$606 thousand as the result of a renewed decline in mortgage related advertising expense and focused priority placed on business development and community outreach efforts, other promotional expense. Data processing and software expense increased \$964 thousand as Meridian continued with our the strategy to invest in technology that focuses on improving back-office efficiencies through automation and workflow processes. Data processing expense was up over the prior year due to an increase in customer account transaction volume.

INCOME TAX EXPENSE

The following table presents income tax expense and related metrics for the periods indicated:

Year Ended December 31,													
Year Ended December 31,													
(Dollars in thousands)													
(Dollars in thousands)													
(Dollars in thousands)	(Dollars in thousands)	2022	2021	Change	% Change	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Income before income taxes	Income before income taxes	\$ 27,920	\$ 46,302	\$ (18,382)	(39.7)%	Income before income taxes	\$ 16,967	\$ 27,920	(10,953)	(39.2)	(39.2)		
Income tax expense	Income tax expense	\$ 6,091	\$ 10,717	\$ (4,626)	(43.2)%	Income tax expense	\$ 3,724	\$ 6,091	(2,367)	(38.9)	(38.9)		
Effective tax rate	Effective tax rate	21.81 %	23.14 %	(1.33)%	(5.7)%	Effective tax rate	21.95 %	21.81 %	0.14 %	0.6	0.6		

The effective tax rate decreased as a result of higher levels of non-taxable revenue (BOLI and tax free interest), as well as lower level of state tax expense. Both While income tax expense and the effective tax rate (as it related to state tax expense) decreased primarily due primarily to the decrease in income before income taxes, taxes, the effective tax rate increased slightly due to the impact of additional nondeductible stock based compensation in 2023, partially offset by an increase in tax-free bank owned life insurance income.

The effective tax rate reflects the recognition of certain tax benefits in the financial statements including those benefits from tax-exempt interest income, federal low-income housing tax credits, and excess tax benefits from recognized stock compensation. These tax benefits are offset by the tax effect of stock-based compensation expense related to incentive stock options and a provision for state income tax expense.

We frequently analyze our projections of taxable income and make adjustments to our provision for income taxes accordingly.

Balance Sheet Summary

Assets

As of December 31, 2022 December 31, 2023, total assets were \$2.1 billion \$2.2 billion which increased \$348.8 million \$184.0 million, or 20.4% 8.9%, from December 31, 2021 December 31, 2022. This growth in assets over the prior period was due primarily to loan portfolio growth, as detailed in the following section.

Loans

Our loan portfolio is the largest category of our interest-earning assets. As of December 31, 2022 December 31, 2023 and 2021, 2022, our total loans and leases amounted to \$1.8 billion \$1.9 billion, and \$1.5 billion \$1.8 billion, respectively. Our loan portfolio is comprised of loans originated to be held in portfolio, as well as residential mortgage loans originated for sale. Meridian engages in the origination of residential mortgages, most typically for 1-4 family dwellings, with the intention of the Corporation to principally sell substantially all of these loans in the secondary market to qualified investors. Our loans held in portfolio are originated by our commercial and consumer loan divisions. We have a strong credit culture that promotes diversity of lending products with a focus on commercial businesses. We have no particular credit concentration. Our commercial loans have been proactively managed in an effort to achieve a balanced portfolio with no unusual exposure to one industry.

The following table presents our loan and lease portfolio at the dates indicated:

		December 31,		December 31,				December 31,		December 31,			
(Dollars in thousands)	(Dollars in thousands)	2022	2021	\$ Change	% Change	(Dollars in thousands)	2023	2022	\$ Change	2023	2022	\$ Change	% Change
Mortgage loans held for sale	Mortgage loans held for sale	\$ 22,243	\$ 80,882	\$ (58,639)	(72.5)%	Mortgage loans held for sale	\$ 24,816	\$ 22,243	\$ 2,573	11.6	11.6		
Real estate loans:	Real estate loans:												
Commercial mortgage	Commercial mortgage												
Commercial mortgage	Commercial mortgage	565,400	516,928	48,472	9.4 %	737,863	565,400	565,400	172,463	172,463	30.5	30.5	
Home equity lines and loans	Home equity lines and loans	59,399	52,299	7,100	13.6 %	76,287	59,399	59,399	16,888	16,888	28.4	28.4	
Residential mortgage	Residential mortgage	221,837	68,175	153,662	225.4 %	260,604	221,837	221,837	38,767	38,767	17.5	17.5	

Construction	Construction	271,955	160,905	111,050	69.0 %	Construction	246,440	271,955	271,955	(25,515)	(25,515)	(9.4)
Total real estate loans	Total real estate loans	1,118,591	798,307	320,284	40.1 %	Total real estate loans	1,321,194	1,118,591	1,118,591	202,603	202,603	18.1
Commercial and industrial	Commercial and industrial	341,378	384,562	(43,184)	(11.2)%							
Commercial and industrial												
Commercial and industrial						302,891		341,378		(38,487)		(11.3) %
Small business loans	Small business loans	136,155	114,158	21,997	19.3 %	Small business loans	142,342	136,155	136,155	6,187	6,187	4.5
Consumer	Consumer	488	419	69	16.5 %	Consumer	389	488	488	(99)	(99)	(20.3)
Leases, net	Leases, net	138,986	88,242	50,744	57.5 %	Leases, net	121,632	138,986	138,986	(17,354)	(17,354)	(12.5)
Total portfolio loans and leases	Total portfolio loans and leases	\$1,735,598	\$1,385,688	\$349,910	25.3 %	Total portfolio loans and leases	\$1,888,448	\$1,735,598	\$1,735,598	\$152,850	8.8	8.8
Total loans and leases	Total loans and leases	\$1,757,841	\$1,466,570	\$291,271	19.9 %	Total loans and leases	\$1,913,264	\$1,757,841	\$1,757,841	\$155,423	8.8	8.8
Portfolio loans increased <u>grew \$349.9 million</u> <u>\$152.9 million</u> , or <u>25.3%</u> 8.8% to \$1.9 billion as of December 31, 2023, from \$1.7 billion as of December 31, 2022, <u>from \$1.4 billion as of December 31, 2021.</u>												

The following table shows the amounts of loans outstanding as of **December 31, 2022** **December 31, 2023** which, based on remaining scheduled repayments of principal, are due in the periods indicated:

(dollars in thousands)	(dollars in thousands)	12 months or Less	1 - 5 years	5 - 15 years	After 15 years	Total	(dollars in thousands)	12 months or Less	1 - 5 years	5 - 15 years	After 15 years	Total
Mortgage loans held for sale		\$ —	\$ —	\$ —	\$ 22,243	\$ 22,243						
Commercial mortgage												
Commercial mortgage	Commercial mortgage	23,091	138,037	398,077	6,195	565,400	\$ 39,903	\$205,960	\$484,840	\$7,160	\$737,863	
Home equity lines and loans	Home equity lines and loans	725	3,533	50,272	4,869	59,399	1,467	3,779	66,441	4,600		76,287
Residential mortgage	Residential mortgage	3,291	730	1,802	216,014	221,837	—	1,251	1,605	257,748		260,604
Construction	Construction	120,064	62,178	89,713	—	271,955	129,116	62,500	54,824	—		246,440
Commercial and industrial	Commercial and industrial	26,002	135,355	62,629	117,392	341,378	31,171	138,982	25,612	107,126		302,891
Small business loans	Small business loans	237	4,672	79,483	51,763	136,155	—	8,775	85,314	48,253		142,342
Consumer	Consumer	3	208	136	141	488	26	100	240	23		389
Leases, net	Leases, net	129	123,034	15,823	—	138,986	1,219	116,184	4,229	—		121,632
Total	Total	\$173,542	\$467,747	\$697,935	\$418,617	\$1,757,841	\$ 202,902	\$ 537,531	\$ 723,105	\$ 424,910	\$ 1,888,448	

The amounts have been classified according to sensitivity to changes in interest rates for amounts due after one year, as of **December 31, 2022** **December 31, 2023**. Variance rate loans are those loans with floating or adjustable interest rates.

(dollars in thousands)	(dollars in thousands)	Fixed Rate	Variable Rate	Total	(dollars in thousands)	Fixed Rate	Variable Rate	Total
Mortgage loans held for sale		\$ 22,243	\$ —	\$ 22,243				
Commercial mortgage								

Commercial mortgage									
Commercial mortgage	Commercial mortgage	94,119	471,281	565,400	\$	143,798	\$	594,065	\$ 737,863
Home equity lines and loans	Home equity lines and loans	5,928	53,471	59,399	Home equity lines and loans		5,656	70,631	76,287
Residential mortgage	Residential mortgage	199,472	22,365	221,837	Residential mortgage		53,271	207,333	260,604
Construction	Construction	46,854	225,101	271,955	Construction		23,394	223,046	246,440
Commercial and industrial	Commercial and industrial	68,722	272,656	341,378	Commercial and industrial		54,429	248,462	302,891
Small business loans	Small business loans	202	135,953	136,155	Small business loans		2,977	139,365	142,342
Consumer	Consumer	353	135	488	Consumer		340	49	389
Leases, net	Leases, net	138,986	—	138,986	Leases, net		121,632	—	121,632
Total	Total	\$576,879	\$1,180,962	\$1,757,841	Total	\$ 405,497	\$ 1,482,951	\$ 1,888,448	

Commercial real estate loans. Our commercial real estate loans are secured by real estate that is both owner-occupied and investor owned. Owner-occupied commercial real estate loans generally involve less risk than an investment property and are distinctly reported from non-owner occupied commercial real estate loans for measuring loan concentrations for regulatory purposes. Our owner-occupied commercial real estate loans are originated and managed within our commercial loan department and comprised 34.4% comprised 33.8% of our total commercial real estate loan portfolio at December 31, 2022 December 31, 2023. The remaining commercial real estate loans are managed by our commercial real estate department which offer the following commercial real estate products:

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

Our commercial real estate loans increased by \$48.5 million \$172.5 million, or 9.4% 30.5%, to \$737.9 million at December 31, 2023 from \$565.4 million at December 31, 2022 from \$516.9 million at December 31, 2021. Our total commercial real estate loan portfolio represented 32.2% 38.6% and 35.2% 32.2% of our total loan portfolio at December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Construction loans increased \$111.1 million decreased \$25.5 million, or 69.0% 9.4%, to \$246.4 million at December 31, 2023 from \$272.0 million at December 31, 2022 from \$160.9 million at December 31, 2021. Construction loans represented 12.9% and 15.5% of our total loan portfolio at both December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Commercial and Industrial Loans

We provide a variety of variable and fixed rate commercial business loans and lines of credit. These loans and lines of credit are made to small and medium-sized manufacturers and wholesale, retail and service-related businesses. Additionally, we lend to companies in the technology, healthcare, real estate and financial service industries. Commercial business loans generally include lines of credit and term loans with a maturity of five years or less. The primary source of repayment for commercial business loans is generally operating cash flows of the business and may also include collateralization of inventory, accounts receivable, equipment and/or personal guarantees. Our commercial and industrial loans decreased \$43.2 million \$38.5 million, or 11.2% 11.3%, to \$341.4 million \$302.9 million at December 31, 2022 December 31, 2023 from \$384.6 million

\$341.4 million at December 31, 2021, as PPP loans declined \$85.5 million, or 94.8% during the year as nearly all such loans were forgiven by December 31, 2022. Commercial and industrial loans overall represented 19.4% 15.8% and 26.2% 19.4% of our total loan portfolio at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Small Business Loans

We provide financing to small businesses in various industries that include guarantees under the Small Business Administration's (SBA's) loan programs. Our small business loans increased by \$22.0 million \$6.2 million, or 19.3% 4.5%, to \$142.3 million at December 31, 2023 from \$136.2 million at December 31, 2022 from \$114.2 million at December 31, 2021. During 2022 2023 we sold \$75.9 million \$85.0 million in SBA loans, an increase of \$8.8 million \$9.1 million, or 13.0% 12.0%, from \$67.2 million \$75.9 million in SBA loans sold in 2021 2022. The small business loans portfolio represented 7.7% 7.4% and 7.8% 7.7% of our total loan portfolio at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Consumer and Personal Loans

Our consumer-lending department principally originates residential 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 student loan refinance product, designed to provide additional flexibility in repayment terms desired in the marketplace. Home equity lines and loans increased \$7.1 million \$16.9 million, or 13.6% 28.4%, to \$76.3 million at December 31, 2023 from \$59.4 million at December 31, 2022 from \$57.6 million at December 31, 2021, while residential mortgage loans increased by \$153.7 million \$38.8 million, or 225.4% 17.5%, to \$260.6 million at December 31, 2023 from \$221.8 million at December 31, 2022 from \$68.2 million at December 31, 2021. Overall the total consumer loan portfolio represented 16.0% 17.6% and 8.2% 16.0% of our total loan portfolio at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Leases, net

Meridian Equipment Finance specializes in small ticket equipment leases for small and mid-sized businesses nationally and through a broad range of industries. The Bank's credit risk generally results from the potential default of borrowers which may be driven by customer specific or broader industry related conditions. Leases increased \$50.7 million decreased \$17.4 million, or 57.5% 12.5%, to \$121.6 million at December 31, 2023 from \$139.0 million at December 31, 2022 from \$88.2 million at December 31, 2021.

Investments

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

As of December 31, 2022 December 31, 2023 our available-for-sale investment portfolio had a fair value of \$135.3 million \$146.0 million, with an effective tax equivalent yield of 2.83% 3.15% and an estimated duration of approximately 4.2 years. The largest category of this investment portfolio, or 28.7% 28.9%, consists of municipal securities, along with 25.9% 24.8% in U.S. agency securities, and 21.8% 20.8% in U.S. Treasury securities. The remainder of our available-for-sale securities portfolio is invested in other securities. We regularly evaluate the composition of our investment portfolio as the interest rate yield curve changes and may sell investment securities from time to time to adjust our exposure to interest rates or to provide liquidity to meet loan demand. Not included in the tables below are equity investments that had fair values of \$2.1 million and \$2.4 million, as of December 31, 2022 December 31, 2023 and 2021, respectively, 2022. As of December 31, 2022 December 31, 2023 we also had a held-to-maturity investment portfolio with amortized cost of \$37.5 million \$35.8 million.

During the year ended December 31, 2022, \$27.7 million of municipal securities, previously classified as available-for-sale on the balance sheet, were transferred to the held-to-maturity portfolio at fair value. After transfer, \$1.3 million of unrealized losses remain in accumulated other comprehensive income. No gain or loss was recognized as a result of the transfer.

The following table presents the amortized cost and fair value of securities at the dates indicated:

December 31, 2022							December 31, 2023						
						# of Securities in unrealized loss position							
(dollars in thousands)	(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value		(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for Credit Losses	Fair value	# of Securities in unrealized loss position
Securities available-for-sale:	Securities available-for-sale:												
U.S. asset backed securities	U.S. asset backed securities												
U.S. asset backed securities	U.S. asset backed securities	\$ 15,581	\$ 14	\$ (314)	\$15,281	12							
U.S. government agency MBS	U.S. government agency MBS	12,272	5	(538)	11,739	12							
U.S. government agency CMO	U.S. government agency CMO	25,520	40	(2,242)	23,318	29							
State and municipal securities	State and municipal securities	44,700	—	(5,862)	38,838	34							
U.S. Treasuries	U.S. Treasuries												
Non-U.S. government agency CMO	Non-U.S. government agency CMO												
Corporate bonds	Corporate bonds												
Total securities available-for-sale	Total securities available-for-sale												

	Amortized cost					
	Amortized cost					
	Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Allowance for Credit Losses	Fair value	# of Securities in unrecognized loss position
Securities held to maturity:						
State and municipal securities						
State and municipal securities						
State and municipal securities						
Total securities held-to-maturity						

	December 31, 2022				
			Gross unrealized		# of Securities in
			losses	Fair value	unrealized loss
(dollars in thousands)	Amortized cost	Gross unrealized gains			position
U.S. Treasuries	32,980	—	(3,457)	29,523	25
Non-U.S. government agency CMO	9,722	—	(633)	9,089	11
Corporate bonds	8,201	—	(643)	7,558	12
Total securities available-for-sale	\$ 148,976	\$ 59	\$ (13,689)	\$ 135,346	135
		Gross unrecognized	Gross unrecognized		# of Securities in
	Amortized cost	gains	losses	Fair value	unrecognized loss
Securities held-to-maturity:					position
State and municipal securities	\$ 37,479	\$ —	\$ (4,394)	\$ 33,085	25

December 31, 2021						
December 31, 2022						
December 31, 2022						
December 31, 2022						
(dollars in thousands)						
(dollars in thousands)						
(dollars in thousands)	(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	# of Securities in unrecognized loss position
Securities available-for-sale:	Securities available-for-sale:					
Securities available-for-sale:						
Securities available-for-sale:						
U.S. asset backed securities						

Securities held-to-maturity:

		Amortized cost		Amortized cost	
Securities held to maturity:					
Securities held to maturity:					
Securities held to maturity:					
State and municipal securities	State and municipal securities	\$ 6,372	\$ 219	\$ —	\$ 6,591
State and municipal securities					
State and municipal securities					
Total securities held-to- maturity					
Total securities held-to- maturity					
Total securities held-to- maturity					

Asset Quality Summary

Meridian's credit culture is strong and asset quality remains a primary focus of management. The ratio of non-performing assets to total assets declined increased to 1.58% as of December 31, 2023, from 1.11% as of December 31, 2022, from 1.34% as of December 31, 2021. There was \$1.7 million in other real estate property included in non-performing assets as of December 31, 2022 December 31, 2023 and 2022, related to a well security secured residential property, and \$0 as of December 31, 2021. property. Total non-performing loans were \$21.2 million \$33.8 million and \$23.0 million \$21.2 million as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively. The decline increase in non-performing loans over the period was due to a \$2.7 million payoff increases in non-performing small business loans, commercial loans, residential real estate loans and construction loans of a non-performing loan \$5.0 million, \$2.9 million, \$2.5 million, and principal payments on another non-performing loan relationship of over \$3 million \$1.2 million, both partially offset by an increase in SBA loans considered non-performing, respectively.

Meridian realized net charge-offs of \$5.6 million, or 0.30%, of total average loans for the year ended December 31, 2023, compared to net charge-offs of \$2.4 million, or 0.15%, of total average loans for the year ended December 31, 2022, compared to net charge-offs. A majority of \$79 thousand, or 0.01%, of total average loans for the year ended December 31, 2021. Nearly all of the charge-offs for the year ended December 31, 2022 December 31, 2023 were from equipment leases, while recoveries \$4.0 million, and \$1.5 million were split between commercial loans, equipment leases, and home equity from small business loans. The ratio of allowance for loan credit losses to total loans held for investment, excluding loans at fair value and PPP loans (a non-GAAP measure, see reconciliation in the Appendix), was 1.17% as of December 31, 2023 compared to 1.09% as of December 31, 2022 compared to 1.46% as of December 31, 2021. PPP loans are excluded from calculation of this ratio as they are guaranteed by the SBA and therefore we have not provided for in the allowance for loan losses. A reconciliation of this non-GAAP measure is included in the Non-GAAP Financial Measures section on page 36.

As of December 31, 2022, the Corporation had \$3.8 million December 31, 2023 there were specific reserves of TDRs, of which \$3.6 million were in compliance with the modified terms and excluded \$6.5 million against individually evaluated loans, an increase from non-performing loans and leases. As of December 31, 2021, the Corporation had \$3.8 million of TDRs, of which \$3.4 million were in compliance with the modified terms, and were excluded from non-performing loans and leases.

As of December 31, 2022, the Corporation had a recorded investment of \$24.2 million of impaired loans and leases which included \$3.8 million of TDRs, while \$2.2 million as of December 31, 2021 impaired loans totaled \$25.8 million, which included \$3.8 million December 31, 2022. The drivers of TDRs. The decrease the increase related to a \$2.3 million increase in impaired loans was largely due to payments received in the fourth quarter of 2022 on one a commercial loan relationship that became a non-performing loan relationship late in 2021. This loan had a specific reserve of \$1.4 million of as December 31, 2021, which decreased to \$776 thousand as of December 31, 2022. Impaired loans and leases are those for which it is probable that new information became available related to the Corporation will not be able to collect all scheduled principal and interest in accordance value of the underlying collateral, combined with the original terms net impact of establishing \$2.3 million in specific reserves on SBA loan relationships classified as non-performing, netted with the loans and leases. Refer to footnote 6 for more information regarding the Corporation's impaired loans and leases, charge-off an SBA loan.

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

The following table presents nonperforming assets and related ratios for the periods indicated:

	December 31, 2022	December 31, 2021
(dollars in thousands)		
Non-performing assets:		
Nonaccrual loans:		
Real estate loans:		
Commercial mortgage	\$ 140	\$ —
Home equity lines and loans	1,097	911
Residential mortgage	2,085	2,398

Total real estate loans	3,322	3,309
Commercial and industrial	12,547	18,801
Small business loans	4,465	666
Leases	902	212
Total nonaccrual loans	21,236	22,988
Other real estate owned	1,703	—
Total non-performing assets	<u>\$ 22,939</u>	<u>\$ 22,988</u>
Troubled debt restructurings:		
TDRs included in non-performing loans	\$ 207	\$ 361
TDRs in compliance with modified terms	3,573	3,446
Total TDRs	<u>\$ 3,780</u>	<u>\$ 3,807</u>
Asset quality ratios:		
Non-performing assets to total assets	1.11 %	1.34 %
Non-performing loans to:		
Total loans and leases	1.20 %	1.57 %
Total loans held-for-investment	1.22 %	1.66 %
Total loans held-for-investment (excluding loans at fair value and PPP loans) ⁽¹⁾	1.23 %	1.80 %
Allowance for loan losses to:		
Total loans and leases	1.07 %	1.28 %
Total loans held-for-investment	1.08 %	1.35 %
Total loans held-for-investment (excluding loans at fair value and PPP loans) ⁽¹⁾	1.09 %	1.46 %
Non-performing loans	88.66 %	81.60 %
Total loans and leases	\$ 1,765,925	\$ 1,467,339
Total loans and leases held-for-investment	\$ 1,743,682	\$ 1,386,457
Total loans and leases held-for-investment (excluding loans at fair value and PPP loans)	\$ 1,724,601	\$ 1,280,654
Allowance for loan and lease losses	\$ 18,828	\$ 18,758

	December 31, 2023	December 31, 2022
<i>(dollars in thousands)</i>		
Non-performing assets:		
Nonaccrual loans:		
Real estate loans:		
Commercial mortgage	\$ —	\$ 140
Home equity lines and loans	1,037	1,097
Residential mortgage	4,536	2,085
Construction	1,206	—
Total real estate loans	<u>6,779</u>	<u>3,322</u>

Commercial and industrial	15,413	12,547
Small business loans	9,440	4,465
Leases	2,131	902
Total nonaccrual loans	<u>33,763</u>	<u>21,236</u>
Other real estate owned	1,703	1,703
Total non-performing assets	<u>\$ 35,466</u>	<u>\$ 22,939</u>
Asset quality ratios:		
Non-performing assets to total assets	1.58 %	1.11 %

Non-performing loans to:				
Total loans and leases		1.76 %		1.20 %
Total loans held-for-investment		1.78 %		1.22 %
Total loans held-for-investment (excluding loans at fair value) ⁽¹⁾		1.79 %		1.23 %
Allowance for credit losses to: ⁽²⁾				
Total loans and leases		1.15 %		1.07 %
Total loans held-for-investment		1.17 %		1.08 %
Total loans held-for-investment (excluding loans at fair value) ⁽¹⁾		1.17 %		1.09 %
Non-performing loans		65.48 %		88.66 %
Total loans and leases	\$	1,920,622	\$	1,765,925
Total loans and leases held-for-investment	\$	1,895,806	\$	1,743,682
Total loans and leases held-for-investment (excluding loans at fair value)	\$	1,882,080	\$	1,729,180
Allowance for credit losses ⁽²⁾	\$	22,107	\$	18,828

(1) The allowance for loan credit losses to total loans held-for-investment (excluding loans at fair value and PPP loans) value ratio is a non-GAAP financial measure. See "Non-GAAP Financial Measures" for a reconciliation of this measure to its most comparable GAAP measure.

(2) The allowance for credit losses for the year ended December 31, 2023 was calculated under the current expected credit loss model, while the allowance for the year ended December 31, 2022 was calculated under the incurred loss model.

Allowance for Loan and Lease Credit Losses

The following is a summary of the allocation of the allowance for loan and lease credit losses by loan category for the periods presented.

(dollars in thousands)	(dollars in thousands)	% of Loan Type		% of Loan Type		(dollars in thousands)	December 31, 2023	% of Loan Type to Total Loans	December 31, 2022	% of Loan Type to Total Loans
		December 31, 2022	Total Loans	December 31, 2021	Total Loans					
Commercial mortgage	Commercial mortgage	\$ 4,095	33%	\$ 4,950	37%	Commercial mortgage	\$ 4,375	39%	\$ 4,095	33%
Home equity lines and loans	Home equity lines and loans	188	3%	224	4%	Home equity lines and loans	998	4%	188	3%
Residential mortgage	Residential mortgage	948	13%	283	5%	Residential mortgage	1,020	14%	948	13%
Construction	Construction	3,075	16%	2,042	12%	Construction	485	13%	3,075	16%
Commercial and industrial	Commercial and industrial	4,012	19%	6,533	28%	Commercial and industrial	4,518	16%	4,012	19%
Small business loans	Small business loans	4,909	8%	3,737	8%	Small business loans	7,005	8%	4,909	8%
Consumer	Consumer	3	—%	3	—%	Consumer	—	—%	3	—%
Leases	Leases	1,598	8%	986	6%	Leases	3,706	6%	1,598	8%
Total	Total	\$ 18,828	100%	\$ 18,758	100%	Total	\$ 22,107	100%	\$ 18,828	100%

(1) The allowance for credit losses for the year ended December 31, 2023 was calculated under the current expected credit loss model, while the allowance for the year ended December 31, 2022 was calculated under the incurred loss model.

(1) The allowance for credit losses for the year ended December 31, 2023 was calculated under the current expected credit loss model, while the allowance for the year ended December 31, 2022 was calculated under the incurred loss model.

The following table provides information on net (charge-offs) and recoveries by loan category: category for the years ended:

		December 31, 2022	December 31, 2021
		December 31, 2023	December 31, 2023
		December 31, 2023	December 31, 2022
Home equity lines and loans	Home equity lines and loans	\$ 31	\$ 1
Home equity lines and loans			
Home equity lines and loans			
Residential mortgage			
Residential mortgage			
Residential mortgage	Residential mortgage	2	5
Commercial and industrial	Commercial and industrial	97	41
Commercial and industrial			
Commercial and industrial			
Small business loans			
Small business loans			
Small business loans			
Consumer			
Consumer			
Consumer	Consumer	4	4
Leases	Leases	(2,552)	(130)
Leases			
Leases			
Total Net Charge-offs	Total Net Charge-offs	\$ (2,418)	\$ (79)
Total Net Charge-offs			
Total Net Charge-offs			

The following table presents the major categories of deposits at the dates indicated:

Total deposits were \$1.7 billion \$1.8 billion as of December 31, 2022 December 31, 2023, up \$266.1 million \$111.0 million, or 18.4% 6.5%, from December 31, 2021 December 31, 2022. Non-interest-bearing deposits increased \$27.2 million decreased \$62.4 million, or 9.9% 20.7%, from December 31, 2021 December 31, 2022. Interest-bearing demand deposits decreased \$48.4 million \$68.9 million, or 18.0% 31.4%, from December 31, 2021 December 31, 2022, while money market accounts/savings accounts did not change materially increased \$50.2 million, or 7.2%, from December 31, 2021 December 31, 2022. Certificates of deposits increased \$287.3 million \$192.1 million, or 139.5% 38.9%, from December 31, 2021 December 31, 2022, as lower levels of core deposits, combined with continued loan growth year over year, led to the need to obtain more wholesale funding. Included in time deposits as of December 31, 2023, and December 31, 2022, are \$429.9 million and \$375.3 million of brokered deposits, respectively, which comprise 23.8% and 21.9% of total deposits as of these dates.

		Year Ended December 31, 2022				Year Ended December 31, 2023	
		Amount	%			Amount	%
(Dollars in thousands)				(Dollars in thousands)			
3 months or less	3 months or less	\$183,758	46.6%	3 months or less		\$ 101,332	22.1%
Over 3 months through 6 months	Over 3 months through 6 months	76,683	19.4%	Over 3 months through 6 months		73,971	16.1%

Over 6 months through 12 months	Over 6 months through 12 months	64,923	16.5%	Over 6 months through 12 months	158,321	34.5%
Over 12 months	Over 12 months	68,921	17.5%	Over 12 months	125,164	27.3%
Total	Total	\$394,285	100.0%	Total	\$ 458,788	100.0%

Equity

Consolidated stockholders' equity of the Corporation was \$158.0 million, or 7.0% of total assets as of December 31, 2023 as compared to \$153.3 million, or 7.4% of total assets as of December 31, 2022 as compared to \$165.4 million, or 9.7% of total assets as of December 31, 2021. The change increase in stockholders' equity is the result of year-to-date net income of \$13.2 million, and comprehensive loss income of \$12.2 million \$2.1 million, partially offset by dividends paid of \$10.9 million and \$5.6 million, common stock repurchases of \$13.0 million during 2022, partially offset by \$4.3 million, and \$1.0 million in stock-based compensation and stock options exercised. On February 28, 2023, the Corporation approved and declared a two-for-one stock split in the form of a 100% stock dividend, payable March 20, 2023, to shareholders of record as of March 14, 2023. Under the terms of the stock split, the Corporation's shareholders will receive received a dividend of one share for every share held on the record date. The dividend will be paid in authorized but unissued shares of common stock of the Corporation. The par value of the Corporation's stock was not affected by the split and remained at \$1.00 per share. All share and per share amounts reported in the consolidated financial statements have been adjusted to reflect the two-for-one stock split effective February 28, 2023.

Non-GAAP Financial Measures

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

The tables below provides the non-GAAP reconciliation for the Corporation's pre-tax, pre-provision income.

(dollars in thousands)	Year Ended	
	December 31, 2023	December 31, 2022
Income before income tax expense	\$ 16,967	\$ 27,920
Provision for credit losses	6,815	2,488
Pre-tax, pre-provision income	\$ 23,782	\$ 30,408

(dollars in thousands)	Year Ended	
	December 31, 2023	December 31, 2022
Bank	\$ 27,751	\$ 31,004
Wealth	1,240	2,030
Mortgage	(5,209)	(2,626)
Pre-tax, pre-provision income	\$ 23,782	\$ 30,408

The table below provides the non-GAAP reconciliation for our the Corporation's tangible common equity ratio and tangible book value per common share. All per share amounts have been adjusted to reflect the two-for-one stock split effective February 28, 2023.

(dollars in thousands)	(dollars in thousands)	December 31, 2022	December 31, 2021	(dollars in thousands)	December 31, 2023	December 31, 2022
Total stockholders' equity (GAAP)	Total stockholders' equity (GAAP)	\$ 153,280	\$ 165,360			
Less: Goodwill and intangible assets	Less: Goodwill and intangible assets	4,074	4,278			

Tangible common equity (non-GAAP)	Tangible common equity (non-GAAP)	149,206	161,082				
Total assets (GAAP)	Total assets (GAAP)	2,062,228	1,713,443				
Total assets (GAAP)							
Total assets (GAAP)							
Less: Goodwill and intangible assets	Less: Goodwill and intangible assets	4,074	4,278				
Tangible assets (non-GAAP)	Tangible assets (non-GAAP)	\$2,058,154	\$1,709,165				
Stockholders' equity to total assets (GAAP)	Stockholders' equity to total assets (GAAP)	7.43 %	9.65 %				
Stockholders' equity to total assets (GAAP)							
Stockholders' equity to total assets (GAAP)							
					7.04 %	7.43 %	
Tangible common equity to tangible assets (non-GAAP)	Tangible common equity to tangible assets (non-GAAP)	7.25 %	9.42 %				
Shares outstanding	Shares outstanding	11,466	12,216				
Shares outstanding							
Shares outstanding							
Book value per share (GAAP)	Book value per share (GAAP)	\$ 13.37	\$ 13.54				
Book value per share (GAAP)							
Book value per share (GAAP)							
Tangible book value per share (non-GAAP)	Tangible book value per share (non-GAAP)	\$ 13.01	\$ 13.19				

The following is a reconciliation of the allowance for loan credit losses to total loans held for investment ratio at December 31, 2022 December 31, 2023. This is considered a non-GAAP measure as the calculation excludes the impact of loans held for investment that are fair valued and the impact of PPP loans as these loan types are not included in the allowance for loan credit losses calculation.

	December 31, 2022	December 31, 2021
(dollars in thousands)		
Allowance for loan and lease losses (GAAP)	\$ 18,828	\$ 18,758
Loans, net of fees and costs (GAAP)	1,743,682	1,386,457
Less: PPP loans	(4,579)	(88,245)
Less: Loans fair valued	(14,502)	(17,558)
Loans, net of fees and costs, excluding PPP and fair valued loans (non-GAAP)	\$ 1,724,601	\$ 1,280,654
Allowance for loan and leases losses to loans, net of fees and costs (GAAP)	1.08 %	1.35 %

Allowance for loan and leases losses to loans, net of fees and costs, excluding PPP and fair valued loans (non-GAAP)	1.09 %	1.46 %
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(dollars in thousands)	December 31, 2023	December 31, 2022
Allowance for credit losses (GAAP)	\$ 22,107	\$ 18,828
Loans, net of fees and costs (GAAP)	1,895,806	1,743,682
Less: Loans fair valued	(13,726)	(14,502)
Loans, net of fees and costs, excluding loans at fair value (non-GAAP)	\$ 1,882,080	\$ 1,729,180
Allowance for credit losses to loans, net of fees and costs (GAAP)	1.17 %	1.08 %
Allowance for credit losses to loans, net of fees and costs, excluding loans at fair value (non-GAAP)	1.17 %	1.09 %

Liquidity and Capital Resources

Management maintains liquidity to meet depositors' needs for funds, to satisfy or fund loan commitments, and for other operating purposes. Meridian's foundation for liquidity is a stable and loyal customer deposit base, cash and cash equivalents, and a marketable investment portfolio that provides periodic cash flow through regular maturities and amortization or that can be used as collateral to secure funding. In addition, as part of its liquidity management, Meridian maintains a segment of commercial loan assets that are comprised of SNCs, which have a national market and can be sold in a timely manner. Meridian's available liquidity, which totaled \$264.4 million \$273.4 million at December 31, 2022 December 31, 2023, compared to \$262.9 million \$264.4 million at December 31, 2021 December 31, 2022, 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 FRB to meet short-term liquidity needs. Through its relationship at the FRB, Meridian had available credit of approximately \$8.8 million \$7.8 million at December 31, 2022 December 31, 2023. At December 31, 2022 December 31, 2023, Meridian had no \$33.0 million in borrowings from the Federal Reserve. As a member of the FHLB, we are eligible to borrow up to a specific credit limit, which is determined by the amount of our residential mortgages, commercial mortgages and other loans that have been pledged as collateral. As of December 31, 2022 December 31, 2023, Meridian's maximum borrowing capacity with the FHLB was \$561.7 million \$626.8 million. At December 31, 2022 December 31, 2023, Meridian had borrowed \$122.1 million \$141.9 million and the FHLB had issued letters of credit, on Meridian's behalf, totaling \$49 million \$104.3 million against its available credit lines. At December 31, 2022 December 31, 2023, Meridian also had available \$39.0 million \$49.0 million of unsecured federal funds lines of credit with other financial institutions as well as \$237.6 million \$146.1 million of available short or long term funding through the CDARS program and \$241.0 million \$356.0 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.

Loan Commitments

At December 31, 2022 December 31, 2023, Meridian had \$525.2 \$528.7 million in unfunded loan commitments. Management anticipates these commitments will be funded by means of normal cash flows. Certificates of deposit greater than or equal to \$250 thousand scheduled to mature in one year or less from December 31, 2022 December 31, 2023 totaled \$325.4 million \$333.6 million. Management believes that the majority of such deposits will be reinvested with Meridian and that certificates that are not renewed will be funded by a reduction in cash and cash equivalents or by pay-downs and maturities of loans and investments. At December 31, 2022 December 31, 2023, Meridian had a reserve for unfunded loan commitments of \$173 thousand, \$1.0 million.

Capital Resources

Meridian meets the definition of "well capitalized" for regulatory purposes on December 31, 2022 December 31, 2023. Our capital category is determined for the purposes of applying the bank regulators' "prompt corrective action" regulations and for determining levels of deposit insurance assessments and may not constitute an accurate representation of Meridian's overall financial condition or prospects.

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

Community banks have long raised concerns with bank regulators about the regulatory burden, complexity, and costs associated with certain provisions of the Basel III Rule. In response, Congress provided an "off-ramp" for institutions, like us, with total consolidated assets of less than \$10 billion. Section 201 of the Regulatory Relief Act instructed the federal banking regulators to establish a single CBLR of between 8 and 10%. The Bank adopted this framework in 2020. Under the final rule, a community banking organization is eligible to elect the new framework if it has: less than \$10 billion in total consolidated assets, limited amounts of certain assets and off-balance sheet exposures, and a CBLR greater than 9%. This requirement was 8% in 2021 as the bank regulatory agencies temporarily lowered the CBLR as a result of the COVID-19 pandemic. The Bank's CBLR was 9.95% 9.46% and 11.51% 9.95% as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively, but reports all ratios for comparative purposes.

The following table summarizes data Tables presenting the Bank's capital amounts and ratios pertaining to our capital structure.

	Corporation		Bank		Well-capitalized minimum
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	
Tier 1 leverage ratio	8.13 %	9.39 %	9.95 %	11.51 %	5.00 %
Common tier 1 risk-based capital ratio	8.77 %	10.83 %	10.73 %	13.27 %	6.50 %
Tier 1 risk-based capital ratio	8.77 %	10.83 %	10.73 %	13.27 %	8.00 %
Total risk-based capital ratio	12.05 %	14.81 %	11.87 %	14.63 %	10.00 %

as of December 31, 2023 and 2022 are included in Note 17 - Regulatory Matters.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Asset/Liability Management

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

Our board of directors has established a Board Risk Committee that, among other duties, sets broad **asset and liability management** ALM policy ("ALM" policy) and directives for asset/liability management, as well as establishes review and control procedures to ensure adherence to this policy. The board of directors has delegated authority for the development and implementation of all asset and liability management policies, procedures, and strategies to the **Asset Liability Committee ("ALCO")**, ALCO. ALCO is comprised of various members of senior management responsible for interpreting the longer range objectives established by the board of directors. As such, ALCO sets basic direction for the Corporation's sources and uses of funds, establishes numerical ranges for primary and secondary objectives, monitors risk and the delivery of services, establishes subs to manage specific ALM activities, and monitors the counterparties engaged in ALM activities. Our ALM policy is reviewed by ALCO and the board of directors 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 embedded 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.

Simulations of net interest income. We use a simulation model on a quarterly basis to measure and evaluate potential changes in our net interest income resulting from various hypothetical interest rate scenarios. Our model incorporates various assumptions that management believes to be reasonable, but which may have a significant impact on results such as:

- The timing of changes in interest rates;
- Shifts or rotations in the yield curve;
- Repricing characteristics for market rate sensitive instruments on the balance sheet;
- Differing sensitivities of financial instruments due to differing underlying rate indices;
- Varying timing of loan prepayments for different interest rate scenarios;
- The effect of interest rate floors, periodic loan caps and lifetime loan caps;
- Overall growth rates and product mix of interest-earning assets and interest-bearing liabilities.

Because of the limitations inherent in any approach used to measure interest rate risk, simulated results are not intended to be used as a forecast of the actual effect of a change in market interest rates on our results, but rather as a means to better plan and execute appropriate **Asset / Liability Management ("ALM")** 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, 2022** **December 31, 2023** and **2021** **2022** are presented in the following table. The simulation assumes rate shifts occur upward and downward on the yield curve in even increments over the first twelve months (ramp), followed by rates held constant thereafter.

Rate Ramp:

Changes in Market Interest Rates	Changes in Market Interest Rates		December 31, 2023		December 31, 2022	
	Market Interest Rates	December 31, 2022	December 31, 2021	Changes in Market Interest Rates	December 31, 2023	December 31, 2022
+300 basis points over next 12 months	+300 basis points over next 12 months	(0.56) %	0.21 %	+300 basis points over next 12 months	0.01 %	(0.56) %
+200 basis points over next 12 months	+200 basis points over next 12 months	(0.27) %	(0.18) %	+200 basis points over next 12 months	0.19 %	(0.27) %
+100 basis points over next 12 months	+100 basis points over next 12 months	(0.06) %	(0.31) %	+100 basis points over next 12 months	0.15 %	(0.06) %
No Change	No Change					

-100 basis points over next 12 months	(1.06) %	(0.22) %		
-100 basis points over next 12 months				
-100 basis points over next 12 months			(1.37) %	(1.06) %
-200 basis points over next 12 months	(2.04) %	(2.34) %		
-200 basis points over next 12 months			(2.28) %	(2.04) %
-300 basis points over next 12 months			(3.07) %	NA
NA - Downward 300 basis point scenario not considered necessary for period ended December 31, 2022				

The above interest rate simulation suggests that the Corporation's balance sheet is narrowly liability asset sensitive as of December 31, 2022 December 31, 2023. In its current position, the table indicates that a 100-300 basis point increase in interest rates would have a modestly negative positive impact from rising rates on net interest income over the next 12 months and a more negative impact in a falling rate scenario. The simulated exposure to a change in interest rates is contained, manageable and well within policy guidelines. The results reflect a higher degree of wholesale funding at December 31, 2022 and continue to drive our funding strategy of increasing relationship-based accounts (core deposits).

Simulation of economic value of equity. To quantify the amount of capital required to absorb potential losses in value of our interest-earning assets and interest-bearing liabilities resulting from adverse market movements, we calculate economic value of equity on a quarterly basis. We define economic value of equity as the net present value of our balance sheet's cash flow, and we calculate economic value of equity by discounting anticipated principal and interest cash flows under the prevailing and hypothetical interest rate environments. Potential changes to our economic value of equity between a flat rate scenario and hypothetical rising and declining rate scenarios, measured as of December 31, 2022 December 31, 2023 and 2021, 2022, are presented in the following table. The projections assume shifts upward and downward in the yield curve of 100, 200 and 300 basis points occurring immediately. We would note that starting in the first quarter of 2021 2022 that our simulations in a downward parallel shift of the yield curve, interest and discount rates at the short-end of the yield curve are allowed to decline below 0%. Management has and continues to employ strategies to mitigate risk in these scenarios. Strategies include actively lowering deposit and funding rates as well as adding and maintaining the use of interest rate floors on floating rate loans.

Changes in Market Interest Rates	December 31, 2022	December 31, 2021
+300 basis points	2 %	60 %
+200 basis points	3 %	45 %
+100 basis points	3 %	26 %
No Change		
-100 basis points	(8)%	(37)%
-200 basis points	(23)%	(97)%

Changes in Market Interest Rates	December 31, 2023	December 31, 2022
+300 basis points over next 12 months	(7)%	2 %
+200 basis points over next 12 months	(3)%	3 %
+100 basis points over next 12 months	— %	3 %

No Change		
-100 basis points over next 12 months	(3)%	(8)%
-200 basis points over next 12 months	(13)%	(23)%
-300 basis points over next 12 months	(31)%	NA
NA - Downward 300 basis point scenario not considered necessary for period ended December 31, 2022		

This economic value of equity profile at **December 31, 2022** **December 31, 2023** suggests that we would experience a **positive negative** effect from an increase or decrease in rates, and that the impact would become greater as rates continue to rise due to the duration of our interest-earning assets. **Conversely, we would experience a negative effect from a decrease in rates.** While an instantaneous shift in interest rates is used in this analysis to provide an estimate of exposure, we believe that a gradual shift in interest rates would have a much more modest impact. Since economic value of equity measures the discounted present value of cash flows over the estimated lives of instruments, the change in economic value of equity does not directly correlate to the degree that earnings would be impacted over a shorter time horizon.

The results of our net interest income and economic value of equity simulation analysis are purely hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from that projected, our net interest income might vary significantly. Non-parallel yield curve shifts or changes in interest rate spreads would also cause our net interest income to be different from that projected. An increasing interest rate environment could reduce projected net interest income if deposits and other short-term interest-bearing liabilities reprice faster than expected or faster than our interest-earning assets. Actual results could differ from those projected if we grow interest-earning assets and interest-bearing liabilities faster or slower than estimated, or otherwise change its mix of products. Actual results could also differ from those projected if we experience substantially different repayment speeds in our loan portfolio than those assumed in the simulation model. Furthermore, the results do not take into account the impact of changes in loan prepayment rates on loan discount accretion. If prepayment rates were to increase on our loans, we would recognize any remaining loan discounts into interest income. This would result in a current period offset to declining net interest income caused by higher rate loans prepaying. Finally, these simulation results do not contemplate all the actions that we may undertake in response to changes in interest rates, such as changes to our loan, investment, deposit, funding or other strategies.

Item 8. Financial Statements and Supplementary Data

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

- Report of Crowe LLP, Independent Registered Public Accounting Firm (PCAOB ID 173)
- Consolidated Balance Sheets
- Consolidated Statements of Income
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Stockholders' Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Meridian Corporation and Subsidiaries (the "Company") as of **December 31, 2022** **December 31, 2023** and **2021, 2022**, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended **December 31, 2022** **December 31, 2023**, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of **December 31, 2022** **December 31, 2023**, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of **December 31, 2022** **December 31, 2023** and **2021, 2022**, and the results of its operations and its cash flows for each of the years in the two-year period ended **December 31, 2022** **December 31, 2023** in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of **December 31, 2022** **December 31, 2023**, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Change in Accounting Principle

As discussed in Notes 1, 5, and 6 of the financial statements, the Company has changed its method of accounting for credit losses effective January 1, 2023 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 326, Financial Instruments - Credit Losses (ASC 326). The Company adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. The adoption of the new credit loss standard and its subsequent application is also related to the critical audit matter communicated below.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Credit Losses – Qualitative Factors

The allowance for loan losses is a valuation allowance for probable incurred credit losses in accordance with Accounting Standards Update (the "ASU") 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, the Company adopted Accounting Standards Codification ("ASC") 326 as of January 1, 2023 as described in Notes 1, 5, and 6 to the consolidated financial statements, statements and the explanatory paragraph above. The Company has identified the allowance for loan losses ACL as a critical accounting estimate. The allowance consists ACL includes quantitative and qualitative factors that comprise management's current estimate of specific expected credit losses, including portfolio mix and general components. The specific component relates to loans that are individually evaluated as impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The general component has a quantitative component and a qualitative component. The quantitative component of the general reserve is based on segmentation, modeling methodology, historical loss experience, relevant available information from internal and external sources relating to reasonable and supportable forecasts about future economic conditions, prepayment speeds, and qualitative adjustment factors. The Company disclosed the qualitative component impact of adoption of this standard on January 1, 2023 with a \$2.9 million increase to the general reserve is based on qualitative factors applied allowance for credit losses and a \$2.2 million decrease to all loan segments, retained earnings for the cumulative effect adjustment recorded upon adoption. As of December 31, 2022 December 31, 2023, the allowance for loan credit losses attributable to loans held for investment is \$18.8 million, consisting of 1) an allowance of \$16.6 million for loans collectively evaluated for impairment and 2) an allowance of \$2.2 million for loans individually evaluated for impairment. \$22.1 million.

The determination of the qualitative factors is subjective and subject to measurement uncertainty. We considered determined that auditing the qualitative factors used in determining the allowance for loan credit losses to be on loans was a critical audit matter due to because of the high degree extent of auditor effort and judgment involved in evaluating management's judgments applied and significant assumptions applied audit effort to evaluate the significant subjective and complex judgments made by management throughout the initial adoption and subsequent application processes, including segmentation, the reasonable and supportable forecasts about future economic conditions, the quantitative factors, and the qualitative adjustments factors. In addition, we used individuals with specialized skill or knowledge to assist us in auditing the determination of qualitative factors, judgments made by management.

The primary procedures we performed to address this critical audit matter included:

- Testing the operating effectiveness of the following controls:
 - Management's initial selection of the model, including modeling methodology, historical loss experience, reasonable and supportable forecasts about future economic conditions, qualitative adjustment factors, and the model validation performed over these selections.
 - Management's review of the completeness and accuracy of internally-produced internally produced data and the relevance and reliability of the external data used in the determination of the quantitative factors and the qualitative adjustment factors.
 - Management's review of the accuracy of the calculation of the qualitative quantitative factors and the judgments and significant assumptions used in the determination of the qualitative adjustment factors.
 - Management's review of the appropriateness and adequacy reasonableness of the judgments applied in the quantitative factors and the qualitative adjustment factors.
- Substantively testing management's process to estimate the qualitative factors used in determining determine the allowance for loan credit losses, including testing: including:
 - Evaluating the appropriateness of the Company's methodology applied to the adoption of ASC 326.
 - The Testing the relevance and reliability of the external data utilized in and the determination of the qualitative factors.
 - The completeness and accuracy of internally-produced internally produced data utilized in the determination of the quantitative factors and the qualitative adjustment factors.
 - The Testing the mathematical accuracy of the calculation of the quantitative factors and qualitative adjustment factors.

- The Evaluating the reasonableness of management's judgments and significant assumptions used in the determination of the quantitative factors and the qualitative adjustment factors.
- Utilizing internal specialists to evaluate the appropriateness of valuation methodologies and testing significant judgments used in the model.

/s/ Crowe LLP

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

Washington, D.C.
March 16, 2023 15, 2024

MERIDIAN CORPORATION AND SUBSIDIARIES					
CONSOLIDATED BALANCE SHEETS					
(dollars in thousands, except shares and per share data)	(dollars in thousands, except shares and per share data)	December 31, 2022	December 31, 2021	(dollars in thousands, except shares and per share data)	December 31, 2022
Assets:	Assets:				
Cash and due from banks	Cash and due from banks	\$ 11,299	\$ 3,966		
Cash and due from banks	Cash and due from banks				
Interest-bearing deposits at other banks	Interest-bearing deposits at other banks	27,092	19,514		
Cash and cash equivalents	Cash and cash equivalents	38,391	23,480		
Securities available-for-sale, at fair value (amortized cost of \$148,976 and \$158,387, respectively)	Securities available-for-sale, at fair value (amortized cost of \$148,976 and \$158,387, respectively)	135,346	159,302		
Securities held-to-maturity, at amortized cost (fair value of \$33,085 and \$6,591, respectively)	Securities held-to-maturity, at amortized cost (fair value of \$33,085 and \$6,591, respectively)	37,479	6,372		
Cash and cash equivalents	Cash and cash equivalents				
Securities available-for-sale, at fair value (amortized cost of \$156,492 and \$148,976, respectively)	Securities available-for-sale, at fair value (amortized cost of \$156,492 and \$148,976, respectively)				
Securities held-to-maturity, at amortized cost (fair value of \$32,730 and \$33,085, respectively)	Securities held-to-maturity, at amortized cost (fair value of \$32,730 and \$33,085, respectively)				
Equity investments	Equity investments	2,086	2,354		
Mortgage loans held for sale (amortized cost of \$22,207 and \$80,002, respectively)	Mortgage loans held for sale (amortized cost of \$22,207 and \$80,002, respectively)	22,243	80,882		
Mortgage loans held for sale	Mortgage loans held for sale				
Loans and other finance receivables, net of fees and costs	Loans and other finance receivables, net of fees and costs	1,743,682	1,386,457		
Allowance for loan and lease losses	Allowance for loan and lease losses	(18,828)	(18,758)		

Loans and other finance receivables, net of the allowance for loan and lease losses		1,724,854	1,367,699
Allowance for credit losses			
Loans and other finance receivables, net of the allowance for credit losses			
Restricted investment in bank stock	Restricted investment in bank stock	6,931	5,117
Bank premises and equipment, net	Bank premises and equipment, net	13,349	11,806
Bank owned life insurance	Bank owned life insurance	28,055	22,503
Accrued interest receivable	Accrued interest receivable	7,363	5,009
Other real estate owned	Other real estate owned	1,703	—
Deferred income taxes	Deferred income taxes	3,936	1,413
Servicing assets	Servicing assets	12,346	12,765
Goodwill	Goodwill	899	899
Intangible assets	Intangible assets	3,175	3,379
Other assets	Other assets	24,072	10,463
Total assets	Total assets	\$2,062,228	\$1,713,443
Liabilities:	Liabilities:		
Liabilities:			
Liabilities:			
Deposits:	Deposits:		
Deposits:			
Deposits:			
Non-interest bearing			
Non-interest bearing			
Non-interest bearing	Non-interest bearing	\$ 301,727	\$ 274,528
Interest bearing	Interest bearing	1,410,752	1,171,885
Total deposits	Total deposits	1,712,479	1,446,413
Borrowings	Borrowings	122,082	41,344
Subordinated debentures	Subordinated debentures	40,346	40,508
Subordinated debentures			
Subordinated debentures			
Accrued interest payable	Accrued interest payable	2,389	31
Other liabilities	Other liabilities	31,652	19,787
Total liabilities	Total liabilities	1,908,948	1,548,083

Stockholders' equity:	Stockholders' equity:		
Common stock, \$1 par value: 25,000,000 shares authorized; 13,156,308 and 13,069,174 shares issued, respectively; and 11,465,572 and 12,215,788 shares outstanding, respectively.		13,156	6,535

Stockholders' equity:

Stockholders' equity:

Common stock, \$1 par value:
25,000,000 shares authorized;
13,186,198 and 13,156,308 shares
issued, respectively; and
11,183,015 and 11,465,572 shares
outstanding, respectively.

Common stock, \$1 par value:
25,000,000 shares authorized;
13,186,198 and 13,156,308 shares
issued, respectively; and
11,183,015 and 11,465,572 shares
outstanding, respectively.

Common stock, \$1 par value:
25,000,000 shares authorized;
13,186,198 and 13,156,308 shares
issued, respectively; and
11,183,015 and 11,465,572 shares
outstanding, respectively.

Surplus	Surplus	79,072	83,663
Treasury stock - 1,690,736 and 853,386 shares, respectively, at cost		(21,821)	(8,860)

Treasury stock -
2,003,183 and
1,690,736
shares,
respectively, at
cost

Unearned common stock held by employee stock ownership plan	Unearned common stock held by employee stock ownership plan	(1,403)	(1,602)
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Retained earnings	Retained earnings	95,815	84,916
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Accumulated other comprehensive (loss) income		(11,539)	708
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Accumulated
other
comprehensive
loss

Total stockholders' equity	Total stockholders' equity	153,280	165,360
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Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$2,062,228	\$1,713,443
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The accompanying notes are an integral part of these consolidated financial statements.

* All share amounts have been adjusted to reflect the two-for-one stock split effective February 28, 2023.

MERIDIAN CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

		Year Ended December 31,			
		Year Ended December 31,		Year Ended December 31,	
(dollars in thousands, except shares and per share data)	(dollars in thousands, except shares and per share data)	2022	2021	2023	2022
Interest income:	Interest income:				
Loans and other finance receivables, including fees					
Loans and other finance receivables, including fees					
Loans and other finance receivables, including fees	Loans and other finance receivables, including fees	\$84,627	\$68,822		
Securities - taxable	Securities - taxable	2,420	1,463		
Securities - tax-exempt	Securities - tax-exempt	1,388	1,189		
Cash and cash equivalents	Cash and cash equivalents	286	48		
Total interest income	Total interest income	88,721	71,522		
Interest expense:	Interest expense:				
Deposits	Deposits	15,397	5,494		
Deposits					
Deposits					
Borrowings	Borrowings	3,196	2,917		
Total interest expense	Total interest expense	18,593	8,411		
Net interest income	Net interest income	70,128	63,111		
Provision for loan losses		2,488	1,070		
Net interest income after provision for loan losses		67,640	62,041		
Provision for credit losses					
Net interest income after provision for credit losses					
Non-interest income:	Non- interest income:				

Mortgage banking income			
Mortgage banking income			
Mortgage banking income	Mortgage banking income	25,325	75,932
Wealth management income	Wealth management income	4,733	4,801
SBA loan income	SBA loan income	4,467	6,898
Earnings on investment in life insurance	Earnings on investment in life insurance	553	365
Net change in the fair value of derivative instruments	Net change in the fair value of derivative instruments	(703)	(4,338)
Net change in the fair value of loans held-for-sale	Net change in the fair value of loans held-for-sale	(844)	(3,311)
Net change in the fair value of loans held-for-investment	Net change in the fair value of loans held-for-investment	(2,408)	(189)
Net gain on hedging activity	Net gain on hedging activity	5,439	2,961
Net gain on sale of investment securities available-for-sale		—	435
Service charges		125	129
Net loss on sale of investment securities available-for-sale			
Other	Other	5,037	4,305
Total non-interest income	Total non-interest income	41,724	87,988
Non-interest expense:	Non-interest expense:		
Salaries and employee benefits			
Salaries and employee benefits			
Salaries and employee benefits	Salaries and employee benefits	54,378	78,866

Occupancy and equipment	Occupancy and equipment	4,837	4,545
Professional fees	Professional fees	3,635	3,558
Advertising and promotion	Advertising and promotion	4,336	3,714
Data processing and software	Data processing and software	5,451	4,382
Pennsylvania bank shares tax		793	609
FDIC premiums			
Other	Other	8,014	8,053
Total non-interest expense	Total non-interest expense	81,444	103,727
Income before income taxes	Income before income taxes	27,920	46,302
Income tax expense	Income tax expense	6,091	10,717
Net income	Net income	\$ 21,829	\$ 35,585
Basic earnings per common share	Basic earnings per common share	\$ 1.85	\$ 2.96
Diluted earnings per common share	Diluted earnings per common share	\$ 1.79	\$ 2.87
Basic weighted average shares outstanding	Basic weighted average shares outstanding	11,792	12,038
Diluted weighted average shares outstanding	Diluted weighted average shares outstanding	12,204	12,412

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

* All share and per share amounts have been adjusted to reflect the two-for-one stock split effective February 28, 2023.

MERIDIAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)	Year Ended December 31,	
	2022	2021
Net income:	\$ 21,829	\$ 35,585
Other comprehensive loss:		
Net change in unrealized losses on investment securities available for sale:		
Change in fair value of investment securities available for sale, net of tax of \$(3,059), and \$(485), respectively	(11,285)	(1,514)
Reclassification adjustment for net losses (gains) realized in net income, net of tax effect of \$0, and \$(101), respectively	—	(334)

Reclassification adjustment for securities transferred from available-for-sale to held-to-maturity, net of tax effect of \$(293), and \$0, respectively	(962)	—
Unrealized investment losses, net of tax effect of \$(3,352), and \$(584), respectively	(12,247)	(1,848)
Total other comprehensive loss	(12,247)	(1,848)
Total comprehensive income	\$ 9,582	\$ 33,737

(dollars in thousands)	Year Ended December 31,	
	2023	2022
Net income:	\$ 13,243	\$ 21,829
Other comprehensive income (loss):		
Net change in unrealized losses on investment securities available for sale:		
Change in fair value of investment securities available for sale, net of tax of \$682, and \$(3,059), respectively	2,417	(11,285)
Reclassification adjustment for net losses (gains) realized in net income, net of tax effect of \$13, and \$0, respectively	45	—
Reclassification adjustment for securities transferred from available-for-sale to held-to-maturity, net of tax effect of \$19, and \$(293), respectively	67	(962)
Unrealized investment losses, net of tax effect of \$714, and \$(3,352), respectively	2,529	(12,247)
Net change in unrealized gains (losses) on interest rate swaps used in cash flow hedges, net of tax effect of \$22 and \$0, respectively	(412)	—
Total other comprehensive income (loss)	2,117	(12,247)
Total comprehensive income	\$ 15,360	\$ 9,582

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

MERIDIAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(dollars in thousands, except per share data)	(dollars in thousands, except per share data)	Common Stock	Treasury Stock	Unearned ESOP	Retained Earnings	AOCI	Total	(dollars in thousands, except per share data)	Common Stock	Treasury Stock	Unearned ESOP	Retained Earnings	AOCI	Total
Balance at January 1, 2021		\$ 6,456	\$81,196	\$ (5,828)	\$ (1,768)	\$ 59,010	\$ 2,556	\$ 141,622						
Balance at January 1, 2022														
Net income	Net income	—	—	—	—	35,585	—	35,585						
Other comprehensive loss	Other comprehensive loss	—	—	—	—	—	(1,848)	(1,848)						
Dividends declared, \$0.79 per share		—	—	—	—	(9,679)	—	(9,679)						
Net purchase of treasury stock through publicly announced plans (213,386 shares)		—	—	(3,032)	—	—	—	(3,032)						
Dividends declared, \$0.90 per share														
Net purchase of treasury stock through publicly announced plans (836,490 shares)														
Common stock issued through share-based awards and exercises (158,042)	Common stock issued through share-based awards and exercises (158,042)	79	1,026	—	—	—	—	1,105						
ESOP shares committed to be released (26,656)	ESOP shares committed to be released (26,656)	—	228	—	166	—	—	394						

Stock based compensation expense	Stock based compensation expense	—	1,213	—	—	—	—	1,213
Balance at December 31, 2021		\$ 6,535	\$83,663	\$ (8,860)	\$ (1,602)	\$ 84,916	\$ 708	\$165,360
Balance at December 31, 2022								
Adjustment to initially apply ASU No. 2016-13 for CECL (1), net of tax								
Net income	Net income	—	—	—	—	21,829	—	21,829
Other comprehensive loss		—	—	—	—	—	(12,247)	(12,247)
Dividends paid or accrued, \$0.90 per share		—	—	—	—	(10,930)	—	(10,930)
Net purchase of treasury stock through publicly announced plans (837,350 shares)		—	—	(12,961)	—	—	—	(12,961)
Common stock issued through share-based awards and exercises (86,734)		43	711	—	—	—	—	754
Other Comprehensive income								
Dividends declared, \$0.50 per share								
Net purchase of treasury stock through publicly announced plans (312,447 shares)								
Common stock issued through share-based awards and exercises (29,500)								
ESOP shares committed to be released (26,656)	ESOP shares committed to be released (26,656)		228		199			427
Stock based compensation expense	Stock based compensation expense	—	1,048	—	—	—	—	1,048
Two-for-one stock split in the form of a stock dividend		6,578	(6,578)	—	—	—	—	—
Balance at December 31, 2022		\$ 13,156	\$79,072	\$ (21,821)	\$ (1,403)	\$ 95,815	\$ (11,539)	\$153,280
Balance at December 31, 2023								

(1) See Note 1 - Summary of Significant Accounting Policies - Pronouncements Adopted in 2023, for additional information.

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

* All share and per share amounts have been adjusted to reflect the two-for-one stock split effective February 28, 2023.

MERIDIAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended
December 31,

Year Ended December 31,				Year Ended December 31,	
(dollars in thousands)	(dollars in thousands)	2022	2021	(dollars in thousands)	2023
Net income	Net income	\$ 21,829	\$ 35,585		
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on sale of investment securities		—	(435)		
Loss on sale of investment securities					
Loss on sale of investment securities					
Loss on sale of investment securities					
Net amortization of investment premiums and discounts and change in fair value of equity securities	Net amortization of investment premiums and discounts and change in fair value of equity securities	1,202	1,369		
Depreciation and amortization (accretion), net	Depreciation and amortization (accretion), net	(1,406)	(5,922)		
Provision for loan losses		2,488	1,070		
Provision for credit losses					
Amortization of issuance costs on subordinated debt	Amortization of issuance costs on subordinated debt	117	118		
Stock based compensation	Stock based compensation	1,475	1,607		
Net change in fair value of derivative instruments	Net change in fair value of derivative instruments	703	4,338		
Net change in fair value of loans held for sale	Net change in fair value of loans held for sale	844	3,311		
Net change in fair value of loans held for investment	Net change in fair value of loans held for investment	2,408	189		

Amortization and net impairment of servicing rights	Amortization and net impairment of servicing rights	2,483	1,109
SBA loan income	SBA loan income	(4,467)	(6,898)
SBA loan income			
SBA loan income			
Proceeds from sale of loans	Proceeds from sale of loans	1,100,333	2,483,373
Loans originated for sale	Loans originated for sale	(1,016,130)	(2,270,693)
Mortgage banking income	Mortgage banking income	(25,325)	(75,932)
(Increase) decrease in accrued interest receivable		(2,354)	473
Increase in accrued interest receivable			
Increase in other assets	Increase in other assets	(823)	(3,693)
Earnings from investment in life insurance		(553)	(365)
(Decrease) increase in deferred income tax		1,112	(768)
Increase (decrease) in accrued interest payable		2,358	(1,122)
Earnings from investment in bank owned life insurance			
(Increase) decrease in deferred income tax			
Increase in accrued interest payable			
Decrease in other liabilities	Decrease in other liabilities	(1,623)	(1,591)
Net cash provided by operating activities	Net cash provided by operating activities	84,671	165,123
Cash flows used in investing activities:	Cash flows used in investing activities:		
Cash flows used in investing activities:			
Cash flows used in investing activities:			

Activity in available-for-sale securities:	Activity in available-for-sale securities:		
Activity in available-for-sale securities:			
Activity in available-for-sale securities:			
Maturities, repayments and calls			
Maturities, repayments and calls			
Maturities, repayments and calls	Maturities, repayments and calls	12,124	10,447
Sales	Sales	—	23,585
Purchases	Purchases	(31,496)	(74,341)
Activity in held-to-maturity securities:	Activity in held-to-maturity securities:		
Maturities, repayments and calls	Maturities, repayments and calls	905	—
Maturities, repayments and calls			
Maturities, repayments and calls			
Purchases	Purchases	(5,500)	—
(Decrease) increase in restricted stock		(1,814)	2,743
Increase in restricted stock			
Net increase in loans	Net increase in loans	(359,460)	(87,575)
Purchases of premises and equipment	Purchases of premises and equipment	(2,907)	(5,374)
Purchase of bank owned life insurance	Purchase of bank owned life insurance	(5,000)	(10,000)
Net cash used in investing activities	Net cash used in investing activities	(393,148)	(140,515)
Cash flows provided by (used in) financing activities:			
Cash flows provided by financing activities:			
Cash flows provided by financing activities:			
Cash flows provided by financing activities:			
Net increase in deposits	Net increase in deposits	266,066	205,079
Decrease in short-term borrowings		—	(44,939)
Decrease in short-term borrowings with original maturity > 90 days		71,803	(20,579)
Net increase in deposits			
Net increase in deposits			
Increase in short-term borrowings			
Increase in short-term borrowings			
Increase in short-term borrowings			

Increase in long-term debt	Increase in long-term debt	8,935	—
Repayment of long-term debt, net		—	(165,546)
Repayment of subordinated debt	Repayment of subordinated debt	(279)	(281)
Repayment of subordinated debt			
Repayment of subordinated debt			
Proceeds from issuance of subordinated debt			

Issuance costs on subordinated debt			
Net purchase of treasury stock	Net purchase of treasury stock	(12,961)	(3,032)
Dividends paid	Dividends paid	(10,930)	(9,679)
Share based awards and exercises	Share based awards and exercises	754	1,105
Net cash provided by (used in) financing activities		323,388	(37,872)
Net cash provided by financing activities			
Net change in cash and cash equivalents			
Net change in cash and cash equivalents			
Net change in cash and cash equivalents	Net change in cash and cash equivalents	14,911	(13,264)
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	23,480	36,744
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	\$ 38,391	\$ 23,480
Supplemental disclosure of cash flow information:	Supplemental disclosure of cash flow information:		
Supplemental disclosure of cash flow information:			
Supplemental disclosure of cash flow information:			
Cash paid during the period for:	Cash paid during the period for:		
Cash paid during the period for:			
Cash paid during the period for:			
Interest			
Interest			
Interest	Interest	\$ 16,235	\$ 9,534
Income taxes	Income taxes	5,365	14,069
Transfers from loans held for sale to loans held for investment	Transfers from loans held for sale to loans held for investment	3,147	8,410
Transfers from loans held for sale to loans held for investment			
Transfers from loans held for sale to loans held for investment			
Transfers from loans held for investment to loans held for sale			
Non-cash transfers from loans receivable to OREO			
Non-cash transfers from loans receivable to OREO			
Non-cash transfers from loans receivable to OREO	Non-cash transfers from loans receivable to OREO	1,703	—
Transfer of securities from AFS to HTM	Transfer of securities from AFS to HTM	23,655	—

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

MERIDIAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Nature of Operations

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

The Corporation operates in highly competitive market areas that includes local, regional, and national banks as competitors along with savings banks, credit unions, fintech companies, insurance companies, trust companies and registered investment advisors. The Corporation and its subsidiaries are regulated by many regulatory agencies including the SEC, FDIC, the FRB and the PDBS.

The Bank was incorporated on March 16, 2004 under the laws of the Commonwealth of Pennsylvania and is a Pennsylvania state-chartered bank. The Bank commenced operations on July 8, 2004 and is a full-service bank providing personal and business lending and deposit services through 6 full-service banking offices in Pennsylvania, 76 mortgage loan production offices throughout the Delaware Valley, and 64 mortgage loan production offices in Maryland, and a lending office in Florida. The Bank and Corporation are headquartered in Malvern, Pennsylvania, located in the western suburbs of Philadelphia.

Basis of Presentation

The accounting policies of the Corporation conform to U.S. GAAP.

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

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant Concentrations of Credit Risk

Most of the Corporation's activities are with customers located in the Delaware Valley tri-state market and the central Maryland market area. Note 4 discusses the types of securities that the Corporation invests in, and Note 5 discusses types of lending that the Corporation engages in. Although the Corporation has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the region's economy. The Corporation does not have any significant concentrations to any one industry or customer, however there is significant concentration of commercial real estate-backed loans, amounting to 33% 39% and 37% 34% of total loans held for investment, as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively.

Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are purchased or sold for one day periods. The FRB removed cash minimum reserve requirements in March 2020. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, and the federal funds purchased and repurchased agreements.

Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Securities classified as available-for-sale are those securities that the Corporation intends to hold for an indefinite period of time but not necessarily to maturity. Securities available-for-sale are carried at fair value. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Corporation's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Unrealized gains and losses are reported as increases or decreases in other comprehensive income. Gains or losses on disposition are based on the net proceeds and cost of the securities sold, adjusted for the amortization of premiums and accretion of discounts, using the specific identification method.

Securities classified as held to maturity are those debt securities the Corporation has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed on a level yield basis.

Investments in equity securities are recorded in accordance with ASC 321-10, *Investments - Equity Securities*. Equity securities are carried at fair value, with changes in fair value reported in net income. At December 31, 2022 December 31, 2023 and 2021 2022, investments in equity securities consisted of an investment in mutual funds with a fair value of \$2.1 million, and \$2.4 \$2.1 million, respectively.

Allowance for Credit Losses - Held-to-Maturity Debt Securities

We follow Accounting Standards Codification (ASC) 326-20, Financial Instruments - Credit Loss - Measured at Amortized Cost, to measure expected credit losses on held-to-maturity debt securities on a collective basis by security investment grade. The Corporation's accounting policy specifies estimate of expected credit losses considers historical credit loss information that (a) if is adjusted for current conditions and reasonable and supportable forecasts.

The Corporation classifies the held-to-maturity debt securities into the following major security types: state and municipal securities. These securities are highly rated with a history of no credit losses, and are assigned ratings based on the most recent data from ratings agencies depending on the availability of data for the security. Credit ratings of held-to-maturity debt securities, which are a significant input in calculating the expected credit loss, are reviewed on a quarterly basis.

Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses and is included in Accrued interest receivable on the Consolidated Balance Sheets.

Allowance for Credit Losses - Available-for-Sale Debt Securities

We follow ASC 326-30, Financial Instruments - Credit Loss - Available-for-Sale Debt Securities, which provides guidance related to the recognition of and expanded disclosure requirements for expected credit losses on available-for-sale debt securities. For available-for-sale debt securities in an unrealized loss position, the Corporation does not have the intent first evaluates whether it intends

to sell, a debt security prior to recovery and (b) or it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired, unless there is a credit loss. When the Corporation does not intend to sell the security, and it is more likely than not, the Corporation will not have required to sell the security before recovery of its amortized cost basis. If either criteria is met, the security's amortized cost basis is reduced to fair value and recognized as a reduction to Noninterest income in the Consolidated Statements of Income.

For debt securities available-for-sale which the Corporation does not intend to sell, or it will recognize is not likely the security would be required to be sold before recovery, we evaluate whether a decline in fair value has resulted from credit component losses or other adverse factors, such as a change in the security's credit rating. In assessing whether a credit loss exists, the Corporation compares the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an other-than-temporary allowance is recorded, limited to the fair value of the security.

Management performs this analysis on a quarterly basis to review the conditions and risks associated with the individual securities. Credit losses on an impaired security shall continue to be measured using the present value of expected future cash flows. Any impairment of a debt security in earnings and the remaining portion not recorded through an allowance for credit loss is included in other comprehensive income. The Corporation did not recognize any other-than-temporary income (loss), net of the tax effect. We are required to use our judgment in determining impairment charges during the years ended December 31, 2022 and 2021, in certain circumstances. For additional detail regarding debt securities, see Note 4.

Loans and Other Finance Receivables

Loans and other finance receivables 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 credit losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Corporation generally amortizes these amounts over the contractual life of the loan.

Loans that were originated by the Corporation and intended for sale in the secondary market to permanent investors, but were either repurchased or unsalable due to defect, are held for the foreseeable future or until maturity or payoff, are carried at fair value.

The accrual of interest is discontinued when the contractual payment of Past Due and Nonaccrual Loans

Past due loans and leases are defined as loans and leases contractually past due 30 - 89 days as to principal or interest has become payments but which remain in accrual status, or loans delinquent 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 more but are considered well secured and in the process of collection.

Nonaccruing loans and leases are those on which the accrual of interest has ceased. Loans are placed on nonaccrual status immediately if, in the opinion of management, collection is doubtful, or when principal or interest is past due 90 days or more and the loan is either guaranteed or not well secured. When secured and in the process of collection. Interest accrued but not collected at the date a loan is placed on nonaccrual status unpaid interest credited to income in the current year is reversed and charged against current year interest income. Interest received A loan that is not past due more than 90 days could be classified as nonaccrual if management comes to the conclusion that we will not be in a position to collect all principal and interest. In addition, the amortization of net deferred loan fees is suspended when a loan is placed on nonaccrual loans generally is status. Subsequent cash receipts are applied either applied against to the outstanding principal balance or reported recorded as interest income, according to depending on management's judgment as to the collectability assessment 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.

Allowance for Loan and Lease Losses

The Allowance or ALLL is a valuation for probable incurred credit losses established through provisions for loan losses charged against income. interest. Loans deemed are returned to be uncollectible are charged against the Allowance, and subsequent recoveries, if any, are credited to the Allowance. All, or part, of the principal balance of loans receivable are charged off to the Allowance as soon as accrual status when it is determined that the repayment of all, or part, of borrower has the principal balance is highly unlikely. Charge-offs for retail consumer loans and equipment leases are generally made for any balance not adequately secured after 120 days cumulative days past due.

The Allowance is maintained at a level considered adequate to provide for probable incurred credit losses. Management's periodic evaluation of the adequacy of the Allowance is based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, make all principal and interest payments in accordance with the estimated value of any underlying collateral, composition terms of the loan portfolio, current economic conditions (i.e. a consistent repayment record, generally six consecutive payments, has been demonstrated).

Unless loans are well-secured and other relevant factors. This evaluation collection is subjective as it requires material estimates that may imminent, for loans greater than 90 days past due their respective reserves are generally charged off once the loss has been confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be susceptible to significant revisions as more information becomes available. In addition, Federal regulatory agencies, as an integral part of their examination process, periodically review the Corporation's charged off.

Allowance for Credit Losses - Loans and may require Leases

On January 1, 2023, the Corporation adopted ASU 2016-13, Financial Instruments-Credit Losses ("Topic 326"), which replaced the incurred loss impairment model with an expected loss methodology that is referred to recognize additions as the CECL methodology. Prior to January 1, 2023, the Corporation calculated the Allowance based on their judgments about information available to them at the time a probable incurred credit loss model. The Corporation now establishes an ACL in accordance with Topic 326. The ACL includes quantitative and qualitative factors that comprise management's current estimate of their examination, which may not be currently available to management.

The Allowance consists of general expected credit losses, including portfolio mix and specific components. The general component covers non-classified loans, as well as, non-impaired classified loans and is based on segmentation, modeling methodology, historical loss experience, adjusted for relevant available information from internal and external sources relating to reasonable and supportable forecasts about future economic conditions, prepayment speeds, and qualitative adjustment factors.

The specific component relates to loans that are classified as doubtful, substandard, and are on non-accrual and have been deemed impaired. Loan classifications are determined based on various assessments such as the borrower's overall financial condition, payment history, repayment sources, guarantors and value of collateral.

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

Another key assumption is the LBP, which represents the historical data period utilized to calculate loss rates. Our LBP goes back to Q1 2010 for all Corporation's portfolio segments, as applicable, which encompasses our loss experience during the Financial Crisis, and our more recent improved loss experience.

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

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement, or a TDR. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

For commercial and construction loans, impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral adjusted for cost to sell, if the loan is collateral dependent.

Large groups of smaller balance homogeneous residential mortgage and consumer loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual loans of this nature for impairment disclosures, unless such loans become impaired or are troubled and the subject of a restructuring agreement.

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

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

The Corporation has identified the following portfolio segments with similar risk characteristics for measuring credit losses and loss behaviors, are:

- Commercial mortgage, commercial and industrial, construction, SBA loans, and commercial small business leases (commercial loans), and
- Residential, equity secured lines and loans, and installment loans (retail loans).

Commercial mortgage – Our commercial real estate loans are secured by real estate that is both owner-occupied and investor owned. Owner-occupied commercial real estate loans generally involve less risk than an investment property and are distinctly reported from non-owner occupied commercial real estate loans for measuring loan concentrations for regulatory purposes. Repayment of commercial real estate loans depends on the cash flow of the borrower and the net operating income of the property, the borrower's profitability, and the value of the underlying property. Of primary concern in commercial real estate lending is the borrower's creditworthiness and the cash flows from the property. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject, to a greater extent than residential real estate loans, to adverse conditions in the real estate market or the economy. Commercial real estate is also subject to adverse market conditions that cause a decrease in market value or lease rates, obsolescence in location or function and market conditions associated with oversupply of units in a specific region.

Commercial and Industrial – We provide a variety of variable and fixed rate commercial business loans, lines of credit, and other finance receivables. These credit facilities are made to small and medium-sized manufacturers and wholesale, retail and service-related businesses. Commercial business loans generally include lines of credit and term loans with a maturity of 5 years or less. The primary source of repayment for commercial business loans and other finance receivables is generally operating cash flows of the business and may also include collateralization of inventory, accounts receivable, equipment and/or personal guarantees. As a result, the availability of funds for repayment may depend substantially on the success of the business itself. Furthermore, any collateral may depreciate over time, may be difficult to appraise, and may fluctuate in value.

Construction – Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the property's value at completion of construction and the estimated cost of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, additional funds may be required to be advanced in excess of the amount originally committed to permit completion of the building.

Leases – Meridian Equipment Finance specializes in small ticket equipment leases for small and mid-sized businesses nationally and through a broad range of industries. The Bank's credit risk generally results from the potential default of borrowers which may be driven by customer specific or broader industry related conditions.

Residential mortgage – Residential loans held in portfolio are primarily secured by single-family homes located in our market areas. Residential loans are generally made on the basis of the borrower's ability to make repayment from employment income or other income, and are secured by real property whose value tends to be more easily ascertainable. Repayment of single-family loans are subject to adverse employment conditions in the local economy leading to increased default rates and decreased market values, including from oversupply in a geographic area. In general, these loans depend on the borrower's continuing financial stability and, therefore, are likely to be adversely affected by various factors, including job loss, divorce, illness, or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Construction – Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the property's value at completion of construction and the estimated cost of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, additional funds may be required to be advanced in excess of the amount originally committed to permit completion of the building.

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Leases – Meridian Equipment Finance specializes in small ticket equipment leases for small and mid-sized businesses nationally and through a broad range of industries. The Bank's credit risk generally results from the potential default of borrowers which may be driven by customer specific or broader industry related conditions.

Consumer, including home equity – Our consumer-lending department principally originates home equity based products for our clients and prospects. These loans typically fund completely at closing. Additional products include smaller dollar personal loans and our student loan refinance product, designed to provide additional flexibility in repayment terms desired in the marketplace. Most consumer loans are originated in Meridian's primary market and surrounding areas.

The largest component of Meridian's consumer loan portfolio consists of fixed rate home equity loans and variable rate home equity lines of credit. Substantially all home equity loans and lines of credit are secured by junior lien mortgages on principal residences. The Bank will lend amounts, which, together with all prior liens, typically may be up to 90% of the appraised value of the property securing the loan. Home equity term loans may have maximum terms up to 20 years, while home equity lines of credit generally have maximum terms of 15 years .

Credit risk on such loans is mitigated through prudent underwriting standards, including evaluation of the creditworthiness of the borrower through credit scores and debt-to-income ratios and, if secured, the collateral value of the assets, assets

Expected credit losses are estimated over the contractual term, adjusted for expected prepayments and recoveries. The contractual term excludes any extensions, renewals and modifications unless the Corporation has reasonable expectations at the reporting date that it will result in a modification, or they are not unconditionally cancellable. Expected recoveries do not exceed the aggregate of

amounts previously charged-off and expected to be charged-off.

The allowance includes two primary components: (i) an allowance established on loans which share similar risk characteristics collectively evaluated for credit losses (collective basis) and (ii) an allowance established on loans which do not share similar risk characteristics with any loan segment and are individually evaluated for credit losses (individual basis).

Loans that share similar risk characteristics are collectively reviewed for credit loss and are evaluated based on the Corporation's historical loss experience and peer loss rate data, adjusted for current economic conditions and future economic forecasts. Estimated losses are determined differently for commercial and consumer loans, and each portfolio segment is further segmented by internally assessed risk ratings.

Management uses a third-party economic forecast to modify the calculated historical loss rates of the portfolio segments. The Corporation's economic forecast extends out 4 quarters (the forecast period) and reverts to the historical loss rates on a straight-line basis over 1 quarter (the reversion period) as we believe this to be reasonable and supportable in the current environment. The economic forecast and reversion periods will be evaluated periodically by management and updated as appropriate.

The historical loss rates for commercial loans are estimated by determining the PD and expected LGD. The PD is calculated based on the historical rate of migration to an event of credit loss during the look-back period. The historical loss rates for retail loans is calculated based solely on average net loss rates over the same look-back period. The Corporation's current look-back period is 36 quarters which helps to ensure that historical loss rates are adequately considering losses over a full economic cycle.

Loans that do not share similar risk characteristics with any loan segments are evaluated on an individual basis. These loans, which may include borrowers experiencing financial difficulties, are not included in the collective basis evaluation. When it is probable that collection of all principal and interest due according to their contractual terms is not likely, which is assessed based on the credit characteristics of the loan and/or payment status, these loans are individually reviewed and measured for potential credit loss.

The amount of the potential credit loss is measured using one of three methods: (i) the present value of expected future cash flows discounted at the loan's effective interest rate; (ii) the fair value of collateral, if the loan is collateral dependent; or (iii) the loan's observable market price. If the measured fair value of the loan is less than the amortized cost basis of the loan, an allowance for credit loss is recorded.

For collateral dependent loans, the expected credit losses at the individual asset level is the difference between the collateral's fair value (less cost to sell) and the amortized cost.

Qualitative adjustment factors consider various internal and external conditions which are allocated among loan segments and take into consideration:

- Current underwriting policies, staff and portfolio concentrations,
- Risk rating accuracy, credit and administration,
- Internal risk emergence (including internal trends of delinquency, portfolio growth, and collateral value), and
- Competitive environment, as it could impact loan structure and underwriting.

These factors are based on their relative standing compared to the period in which historical losses are used in quantitative reserve estimates and current directional trends, and reasonable and supportable forecasts. Qualitative factors in the model can add to or subtract from quantitative reserves.

Loan officers and risk managers meet at least quarterly to discuss and review the conditions and risks associated with individual problem loans. In addition, various regulatory agencies periodically review our loan ratings and allowance for credit losses and the Bank's internal loan review department performs loan reviews.

Accrued interest receivable on loans is excluded from the estimate of credit losses and is included in accrued interest receivable on the Consolidated Balance Sheets.

For additional detail regarding the allowance for credit losses and the provision for credit losses, see Note 6.

Mortgage Banking Activities and Mortgage Loans Held for Sale

The Corporation's mortgage banking division operates 76 offices in the tri-state area of Pennsylvania, Delaware and New Jersey and another 64 offices in Maryland. The mortgage banking division originates conventional mortgages, FHA, VA, USDA, and other state insured mortgages. The loans are generally sold to various investors in the secondary market.

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

The Corporation enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (interest rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Time

elapsing between the issuance of a loan commitment and closing and sale of the loan generally ranges from 30 days to 120 days. The Corporation protects itself from changes in interest rates through the use of best efforts forward sale contracts, whereby the Corporation commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. The Corporation may also commit to loan sales through a mandatory sales channel which are economically hedged by the future sale of mortgage-backed securities to third-party counterparties to mitigate the effect of changes in interest rates on the values of both the interest rate locks and mortgage loans held for sale. By entering into best efforts commitments and economically hedging the mandatory commitments, the Corporation limits its exposure to loss and its realization of significant gains related to its rate lock commitments due to changes in interest rates.

The Corporation utilizes a third-party model to determine the fair value of rate lock commitments or forward sale contracts. This model uses investor quotes while taking into consideration the probability that the rate lock commitments will close. Net derivative assets and liabilities are recorded within other assets or other liabilities, respectively, on the consolidated balance sheets, with changes in fair value during the period recorded within net change in the fair value of derivative instruments on the consolidated statements of income.

Loan Servicing Rights

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

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

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

Other Real Estate Owned

OREO is comprised of property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure. The Corporation acquires OREO through the wholly owned subsidiary of the Bank, Apex Realty. OREO is recorded at the lower of cost or fair value, or the loan amount net of estimated selling costs, at the date of foreclosure. The cost basis of OREO is its recorded value at the

time of acquisition. After acquisition, valuations are periodically performed by management and subsequent changes in the valuation allowance are charged to OREO expense. Revenues, such as rental income, and holding expenses, as applicable, are included in other income and other expenses, respectively. The Corporation had one **property of \$1.7 million single property** in OREO at **December 31, 2022** **December 31, 2023** and **\$0 at December 31, 2021** **December 31, 2022**.

Restricted Investment in Bank Stock

Restricted bank stock is principally comprised of stock in the FHLB. Federal law requires a member institution of the FHLB to hold stock according to a predetermined formula. As of **December 31, 2022** **December 31, 2023**, and **2021, 2022**, the Corporation had an investment of **\$6.9** **\$8.1** million and **\$5.1** **\$6.9** million, respectively, related to the FHLB stock. Also included in restricted stock is secondary stock from a correspondent bank in the amount of \$50 thousand as of **December 31, 2022** **December 31, 2023** and **2021, 2022**. All restricted stock is carried at cost.

Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost is influenced by criteria such as (1) significance of the decline in net assets of the banks as compared to the capital stock amount and the length of time this situation has persisted, (2) commitments by the banks to make payments required by law or regulation and the level of such payments in relation to the operating performance of the banks, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the banks.

Management believes no impairment charge is necessary related to these bank restricted stocks as of **December 31, 2022** **December 31, 2023** or **2021, 2022**.

Transfers of Financial Assets

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Land is carried at cost. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 12 to 40 years. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from 3 to 7 years and 3 to 5 years for computer software and hardware, respectively. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. The costs of maintenance and repairs are expensed as incurred; while major replacements, improvements and additions are capitalized.

Lease Liabilities and Right of Use Assets

The Corporation is obligated under non-cancelable operating leases for premises for various retail branch locations and loan production offices. The Corporation determines if an arrangement is a lease at inception by assessing whether a contract contains a right to control an identified asset for a period of time in exchange for consideration. Operating leases are included in operating lease right-of-use assets and operating lease liabilities in the consolidated balance sheets. For purposes of calculating operating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that the Corporation will exercise that option and begins when the Corporation has control and possession of the leased property, which may be before rental payments are due under the lease. Right-of-use assets and operating lease liabilities are recognized based on the present value of lease payments, discounted using the Corporation's incremental borrowing rate, over the lease term at the possession date. The Corporation determines its incremental borrowing rate using publicly available information available for debt issuers with similar credit ratings as the Bank, as the substantial majority of the Corporation's leases are related to properties of the Bank. The Corporation separately accounts for lease and non-lease components such as property taxes, insurance, and maintenance costs. Operating lease expense for the Corporation's leases, which generally have escalating rental payments over the term of the lease, is recognized on a straight-line basis over the lease term. At **December 31, 2022** **December 31, 2023**, the Corporation's leases have remaining terms of 2 months to 12 years.

Bank-Owned Life Insurance

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

Advertising Costs

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

Employee Benefit Plans

The Corporation has a 401(k) Plan (the Plan) and an ESOP. All employees are eligible to participate in the Plan and ESOP after they have attained the age of 21 and have also completed three months consecutively of service. Employees must participate in the Plan to be eligible for participation in the ESOP. The employees may contribute to the Plan up to the maximum percentage allowable by law of their compensation. The Corporation may make a discretionary matching contribution to the Plan and the ESOP. Full vesting in the Corporation's contribution to the Plan and ESOP is over a three-year period. The Corporation recorded expense for the Plan and ESOP of \$1.0 million and **\$1.1 million, \$858 thousand**, respectively for the year ended **December 31, 2022** **December 31, 2023** and **\$1.4** **\$1.0** million and **\$1.1** million, respectively for the year ended **December 31, 2021** **December 31, 2022**. The expense recorded by the Corporation for the ESOP for the year ended **December 31, 2023** included a **\$536 thousand employer contribution, in addition to \$523 thousand in stock compensation related expense**. The expense recorded by the Corporation for the ESOP for the year ended **December 31, 2022** included a **\$671 thousand employer contribution, in addition to \$426 thousand in stock compensation related expense**. **The expense recorded by the Corporation for the ESOP for**

During the year ended December 31, 2021 included a **\$663 thousand employer contribution, in addition to \$437 thousand in stock compensation related expense**.

During December 31, 2023, 81,316 shares were purchased by the ESOP, while for the year ended December 31, 2022, 0 shares were purchased by the ESOP, while for the year ended December 31, 2021, 91,212 shares were purchased by the ESOP at an average market value of \$12.15. ESOP. Shares in the ESOP that are committed to be released to employees are treated as outstanding shares in the Corporation's computation of earnings per share. As of **December 31, 2021** **December 31, 2023**, **53,312** **93,296** of these common shares were released to the ESOP leaving **213,248** **173,264** unallocated shares. There were **534,100** **610,735** shares in the ESOP as of **December 31, 2022** **December 31, 2023**. Shares in the ESOP would be impacted by any stock dividends and stock splits in the same manner as all other outstanding common shares of the Corporation.

Income Taxes

Deferred income taxes are provided on the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and net operating losses and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and net operating loss carry-forwards and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Corporation follows accounting guidance related to accounting for uncertainty in income taxes. Under the "more likely than not" threshold guidelines, the Corporation believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. As of **December 31, 2022** **December 31, 2023**, and **2021, 2022**, the Corporation had no material unrecognized tax benefits or accrued interest and penalties. The Corporation's policy is to account for interest as a component of interest expense and penalties as a component of other expense. The Corporation is no longer subject to examination by federal, state and local taxing authorities for years before **January 1, 2019** **January 1, 2020**.

Stock Split

On February 28, 2023, the Corporation approved and declared a two-for-one stock split in the form of a stock dividend, payable March 20, 2023, to shareholders of record as of March 14, 2023. Under the terms of the stock split, the Corporation's shareholders will receive a dividend of one share for every share held on the record date. The dividend will be paid in authorized but unissued shares of common stock of the Corporation. The par value of the Corporation's stock was not affected by the split and remained at \$1.00 per share. All share and per share amounts reported in the consolidated financial statements have been adjusted to reflect the two-for-one stock split effective February 28, 2023.

Stock Compensation Plans

Stock compensation accounting guidance requires that the compensation cost relating to share-based payment transactions be recognized in the consolidated financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options and restricted share plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate the fair value of stock options, while the market price of the Corporation's common stock at the date of grant is used for restricted stock awards. All stock compensation issued has been adjusted for the two-for-one stock split effective February 28, 2023, as discussed further in footnote Note 13.

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, 2022, December 31, 2023 and 2021 2022 consist of unrealized holding gains and (losses) arising during the year on available-for-sale securities, securities, unrealized gains and (losses) arising during the year on interest rate swaps used in cash flow hedges.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Corporation has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the balance sheet when they are funded.

Unfunded Lending Commitments

For unfunded lending commitments, the Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Corporation. The estimate includes consideration of the probability of default and utilization rate at default to calculate expected credit losses on commitments expected to be funded over its estimated life of one year, based on historical losses, and qualitative adjustment factors.

The allowance for credit losses for off-balance sheet exposures is included in Other liabilities on the Consolidated Balance Sheets and the provision for credit losses for off-balance sheet exposure is included in the provision for credit losses on the Consolidated Statements of Income for the periods ended December 31, 2023, and in other non-interest expense for periods prior to the adoption of ASU-2016-13 on January 1, 2023. The allowance for credit losses for off-balance sheet exposures was \$1.0 million and \$173 thousand as of December 31, 2023 and December 31, 2022, respectively.

Derivative Financial Instruments

The Corporation recognizes all derivative financial instruments related to its mortgage banking activities on its balance sheet at fair value. The Corporation utilizes investor quotes to determine the fair value of interest rate lock commitment derivatives and market pricing to determine the fair value of forward security purchase commitment derivatives. All changes in fair value of derivative instruments are recognized in earnings.

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

Cash flow hedges are used to mitigate the variability in the cash flows of borrowings, caused by interest rate fluctuations. The changes in the fair value of cash flow hedges are initially reported in other comprehensive income. Amounts are subsequently reclassified from accumulated other comprehensive income to earnings when the hedged transactions occur, specifically within the same line item as the hedged item.

Earnings per Common Share

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

Revenue Recognition

The Corporation recognizes all sources of income on the accrual method, with the exception of nonaccrual loans and leases. In addition to lending and related activities, the Corporation offers various services that generate revenue, certain of which are in the scope of FASB ASU 2014-09 (Topic 606), "Revenue for Contracts with Customers" (ASC 606) is recognized within non-interest income and include wealth management fees, and transaction based and fees. Revenue is recognized when the transactions occur or as services as performed over primarily monthly or quarterly periods. Payment is typically received in the period the transactions occur. Fees may be fixed or, where applicable based on a percentage of transaction size. Wealth management income for the years ended December 31, 2022, December 31, 2023 and 2021 2022 is \$4.7 million \$4.9 million and \$4.8 \$4.7 million. Within other non-interest income is \$1.1 million \$750 thousand and \$1.2 \$1.1 million for the years ended December 31, 2022, December 31, 2023 and 2021, 2022, respectively, which are in the scope of ASC 606. These amounts include wire transfer fees, ATM/debit card commissions, title fee income.

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

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

Other sources of the Corporation's non-interest income that are not within the scope of ASC 606 include mortgage banking income, SBA loan income, net changes in fair values, hedging gains and losses, earnings on investments in life insurance, gains or losses on sale of investment securities, and dividends on FHLB stock.

Loss Contingencies

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

Operating Segments

While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Corporation-wide basis. The Corporation has identified three segments: a banking segment, a wealth management segment and a mortgage banking segment, as more fully disclosed in the Segment note to the consolidated financial statements. Note 20 - Segments.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in the Note 18 - Fair Value Measurements and Disclosures note to the consolidated financial statements. Disclosures. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Recent Accounting Pronouncements

As an "emerging growth company" under the JOBS Act until December 31, 2022, the Bank was permitted an extended transition period for complying with new or revised accounting standards affecting public companies up to this date. We were classified as an emerging growth company until the end of the fiscal year following the fifth anniversary of the completion of our initial public offering, which took place on November 7, 2022. While an emerging growth company we had elected to take advantage of this extended transition period, which means that the financial statements included herein, as well as any financial statements that we filed in the past, are not subject to all new or revised accounting standards generally applicable to public companies for the transition period.

FASB ASU 2016-02 (Topic 842), "Leases"

Issued Pronouncements Adopted in February 2016, and amended in June 2020, ASU 2016-02 revised the accounting related to lessee accounting. Under the new guidance, lessees are required to recognize a lease ROU liability and a ROU 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. On January 1, 2022 the Corporation recognized a right-of-use asset and a lease obligation liability on the consolidated statement of financial condition. The adoption of the ASU was on a prospective basis and therefore comparative prior periods are still presented under ASC 840. Refer to footnote 11 - leases, for further details.

Pronouncements Not Effective as of December 31, 2022: 2023

FASB ASU 2016-13 (Topic 326), "Measurement of Credit Losses on Financial Instruments"

Issued in June 2016, The Corporation adopted ASU 2016-13, significantly changes how companies measure as amended, on January 1, 2023, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the CECL methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loans, net of fees and recognize costs, securities HTM, unfunded lending commitments (including loan commitments on loans held for investment, standby letters of credit, impairment for many financial assets. This ASU requires businesses guarantees, and other organizations to measure CECL on financial assets, such as loans, net investments in leases, certain debt securities, bond insurance and other receivables. The amendments affect entities holding financial assets similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842. In addition, ASC 326 made changes to the accounting for securities AFS which now requires credit losses to be presented as an allowance rather than as an other-than-temporary impairment on securities AFS management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Corporation applied the modified retrospective method for all financial assets measured at amortized cost and securities AFS. Results for reporting periods beginning after January 1, 2023 are not accounted presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Corporation recorded a one-time decrease to retained earnings of \$2.2 million on January 1, 2023 for at fair value through the cumulative effect of adopting ASC 326, net income. Current GAAP requires an of tax. The transition adjustment includes \$1.2 million and \$974 thousand post-tax impacts for loans, net of fees and costs and unfunded loan commitments, respectively, due to higher expected credit losses compared to the incurred loss methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred. primarily driven by small ticket equipment leases and longer duration commercial and consumer real estate loans.

The amendments in this ASU replace impact of the change from the incurred loss impairment methodology with a methodology that reflects model to the current expected credit losses and requires consideration of a broader range of reasonableness and supportable information to inform credit loss estimates. An entity should apply the amendments through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance model is effective (modified retrospective approach). Acquired credit impaired loans for which the guidance in Accounting Standards Codification (ASC) Topic 310-30 has been previously applied should prospectively apply the guidance in this ASU. A prospective transition approach is required for debt securities for which an other-than-temporary impairment has been recognized before the effective date. In October 2019, the FASB approved a delay for the implementation of the ASU. Accordingly, the Corporation's effective date for the implementation of the ASU will be January 1, 2023. The Corporation has largely completed its assessment of related processes, internal controls, and data sources and has developed, documented, and validated a discounted cash flows model utilizing a third-party software provider. The Corporation anticipates that the Corporation and the Bank will continue to be well capitalized after the negative impact resulting from the adoption of CECL. detailed below.

(dollars in thousands)	January 1, 2023		
	Pre-adoption	Adoption Impact	As Reported
Assets:			
ACL on loans and leases:			
Commercial mortgage	\$ 4,095	\$ (526)	\$ 3,569
Home equity lines and loans	188	439	627
Residential mortgage	948	17	965
Construction	3,075	(1,763)	1,312
Commercial and industrial	4,012	(1,023)	2,989
Small business loans	4,909	1,110	6,019
Consumer	3	(3)	—
Leases, net	1,598	3,345	4,943
Total ACL on loans and leases	\$ 18,828	\$ 1,596	\$ 20,424
Liabilities:			
Reserve for unfunded commitments	\$ 173	\$ 1,256	\$ 1,429

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

Issued in April 2019, ASU 2019-04 clarifies certain aspects of accounting for credit losses, hedging activities, and financial instruments (addressed by ASUs 2016-13, 2017-12, and 2016-01, respectively). The amendments to estimating expected credit losses (ASU 2016-13), in particular, how a company considers recoveries and extension options when estimating expected credit losses, are the most relevant to the Corporation. The ASU clarifies that (1) the estimate of expected credit losses should include expected recoveries of financial assets, including recoveries of amounts expected to be written off and those previously written off, and (2) that contractual extension or renewal options that are not unconditionally cancellable by the lender are considered when determining the contractual term over which expected credit losses are measured. Management will consider the impact of The Corporation adopted ASU 2019-04 when considering at the impact of same time ASU 2016-13 upon adoption as of January 1, 2023, was adopted.

FASB ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures."

In March 2022, the FASB issued ASU No. 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted CECL and enhance the disclosure requirements for modifications of receivables made with borrowers experiencing financial difficulty. In addition, the amendments require disclosure of current period gross write-offs by year of origination for financing receivables and net investment in leases in the existing vintage disclosures. The Corporation adopted ASU 2022-02 at the same time ASU 2016-13 was adopted, as of January 1, 2023. The adoption of this ASU resulted in updated disclosures within our financial statements but otherwise did not have a material impact on the Corporation's financial statements.

Pronouncements Not Effective as of December 31, 2023:

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

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

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

This ASU is clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments in this update reduce the number of accounting models for convertible debt instruments and convertible preferred stock by removing the cash conversion model and the beneficial conversion feature models. For public business entities that meet the definition of an SEC filer

(excluding smaller reporting entities), the amendments are effective for fiscal years beginning after December 15, 2022 or January 1, 2023 Dec. 15, 2021, and interim periods within. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2023, and interim periods within. The Corporation does not expect this to have a material impact on our consolidated financial statements.

FASB ASU 2023-02, "Investments Equity Method and Joint Ventures (Topic 323) Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method"

In March 2023, the FASB issued ASU 2023-02, Investments Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method to allow reporting entities to consistently account for equity investments made primarily for the Corporation, including purpose of receiving income tax credits and other income tax benefits. If certain conditions are met, a reporting entity may elect to account for its tax equity investments by using the proportional amortization method regardless of the program from which it receives income tax credits, instead of only LIHTC structures. This amendment also eliminates certain LIHTC specific guidance aligning the accounting with other equity investments in tax credit structures. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Corporation does not expect this to have a material impact on our consolidated financial statements.

FASB ASU 2023-07, "Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures"

The amendments in this update improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. The amendments in this update also do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Corporation is currently evaluating the impact on its results of operation, financial position, liquidity, and disclosures.

FAS ASU 2023-09, "Income Taxes (Topic 740) Improvements to Income Tax Disclosures"

The amendments in this update address investor requests for entities that have adopted CECL more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This update also includes certain other amendments to improve the effectiveness of income tax disclosures. The amendments in this update are effective for fiscal years beginning after December 15, 2024 and are to be applied on a prospective basis. Early adoption is permitted. The Corporation is currently evaluating the impact on its disclosures.

(2) Earnings per Common Share

Basic earnings per common share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average common shares outstanding during the period reduced by unearned ESOP Plan shares and treasury shares. Diluted earnings per common share takes into account the potential dilution, computed pursuant to the treasury stock method, that could occur if stock options were exercised and converted into common stock; if restricted stock awards were vested; and SERP plan liabilities were satisfied with common shares. 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 share and per share amounts have been adjusted to reflect the two-for-one stock split effective February 28, 2023.

Year Ended December 31,						Year Ended December 31,	
Year Ended December 31,						Year Ended December 31,	
(dollars in thousands, except per share data)	(dollars in thousands, except per share data)	2022	2021	(dollars in thousands, except per share data)	2023	2022	2021
Numerator for earnings per share:	Numerator for earnings per share:						

Net income available to common stockholders	Net income available to common stockholders	\$ 21,829	\$ 35,585
Net income available to common stockholders			
Net income available to common stockholders			
Denominators for earnings per share:	Denominators for earnings per share:		
Denominators for earnings per share:			
Weighted average shares outstanding			
Weighted average shares outstanding			
Weighted average shares outstanding	Weighted average shares outstanding	11,992	12,266
Average unearned ESOP shares	Average unearned ESOP shares	(200)	(228)
Basic weighted average shares outstanding	Basic weighted average shares outstanding	11,792	12,038
Dilutive effects of assumed exercises of stock options	Dilutive effects of assumed exercises of stock options	268	260
Dilutive effects of SERP shares	Dilutive effects of SERP shares	144	114
Diluted weighted average shares outstanding	Diluted weighted average shares outstanding	12,204	12,412
Basic earnings per share	Basic earnings per share	\$ 1.85	\$ 2.96
Basic earnings per share			
Basic earnings per share			
Diluted earnings per share	Diluted earnings per share	\$ 1.79	\$ 2.87
Antidilutive shares excluded from computation of average dilutive earnings per share	Antidilutive shares excluded from computation of average dilutive earnings per share	464	278

(3) Goodwill and Other Intangibles

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

		December 31, 2021		December 31, 2022		December 31, 2022		December 31, 2023		December 31, 2023		December 31, 2023	
(dollars in thousands)	(dollars in thousands)	Goodwill	Intangible assets - customer relationships	Intangible assets - non competition agreements	Total Intangible Assets	Goodwill	Intangible assets - customer relationships	Intangible assets - non competition agreements	Total Intangible Assets	Goodwill	Intangible assets - customer relationships	Intangible assets - non competition agreements	Total Intangible Assets
		\$ 899	\$ —	\$ 899	Indefinite	\$ 899	\$ —	\$ —	\$ 899	\$ 899	Indefinite	Indefinite	Indefinite
		266	—	266	Indefinite	266	—	266	Indefinite	266	—	266	Indefinite
		3,113	(204)	2,909	20	2,909	(204)	(204)	2,705	2,705	20	20	20
		\$ 3,379	\$ (204)	\$ 3,175									
		\$ 4,278	\$ (204)	\$ 4,074									

Accumulated amortization of intangible assets was \$1.4 million \$1.6 million and \$1.2 million \$1.4 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

In accordance with ASC Topic 350, the Corporation performed a qualitative assessment of goodwill and identifiable intangible assets as of December 31, 2022 December 31, 2023 and determined it was more likely than not that the fair value of the Corporation was more than its carrying amount.

At December 31, 2022 December 31, 2023, the schedule of future intangible asset amortization is as follows (in thousands):

2023	\$ 204												
2024	204												
2025	204												
2026	204												
2027	204												
2028													
Thereafter	1,889												
Total	\$ 2,909	Total				\$							2,705

(4) Securities

The following table presents the amortized cost and fair value of securities at the dates indicated:

December 31, 2022						December 31, 2023					
(dollars in thousands)	(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for Credit Losses	Fair value
Securities available-for-sale:	Securities available-for-sale:										
U.S. asset backed securities	U.S. asset backed securities										
U.S. asset backed securities	U.S. asset backed securities	\$ 15,581	\$ 14	\$ (314)	\$ 15,281						

U.S. government agency MBS	U.S. government agency MBS	12,272	5	(538)	11,739	12
U.S. government agency CMO	U.S. government agency CMO	25,520	40	(2,242)	23,318	29
State and municipal securities	State and municipal securities	44,700	—	(5,862)	38,838	34
U.S. Treasuries	U.S. Treasuries	32,980	—	(3,457)	29,523	25
Non-U.S. government agency CMO	Non-U.S. government agency CMO	9,722	—	(633)	9,089	11
Corporate bonds	Corporate bonds	8,201	—	(643)	7,558	12
Total securities available-for-sale	Total securities available-for-sale	\$ 148,976	\$ 59	\$ (13,689)	\$ 135,346	135
Amortized cost						
		Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Fair value	# of Securities in unrecognized loss position
Amortized cost						
Gross unrecognized gains						
Gross unrecognized losses						
Allowance for Credit Losses						
Fair value						
# of Securities in unrecognized loss position						
Securities held-to-maturity:	Securities held-to-maturity:					
State and municipal securities						
State and municipal securities						
State and municipal securities	State and municipal securities	\$ 37,479	\$ —	\$ (4,394)	\$ 33,085	25
Total securities held-to-maturity	Total securities held-to-maturity	\$ 37,479	\$ —	\$ (4,394)	\$ 33,085	25
December 31, 2021						
December 31, 2022						
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	# of Securities in unrecognized loss position
(dollars in thousands)	(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	# of Securities in unrecognized loss position
Securities available-for-sale:	Securities available-for-sale:					
U.S. asset backed securities						

U.S. asset backed securities

U.S. asset backed securities	U.S. asset backed securities	\$ 16,850	\$ 55	\$ (68)	\$ 16,837	10
U.S. government agency MBS	U.S. government agency MBS	9,749	124	(60)	9,813	3
U.S. government agency CMO	U.S. government agency CMO	22,276	358	(253)	22,381	10
State and municipal securities	State and municipal securities	72,099	1,379	(496)	72,982	12
U.S. Treasuries	U.S. Treasuries	29,973	1	(246)	29,728	21
Non-U.S. government agency CMO	Non-U.S. government agency CMO	990	—	(15)	975	1
Corporate bonds	Corporate bonds	6,450	154	(18)	6,586	5
Total securities available-for-sale	Total securities available-for-sale	\$ 158,387	\$ 2,071	\$ (1,156)	\$ 159,302	62

Amortized cost

	Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Fair value	# of Securities in unrecognized loss position
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Amortized cost

	Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Fair value	# of Securities in unrecognized loss position
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Securities held-to-maturity:	Securities held-to-maturity:					
State and municipal securities	State and municipal securities					
State and municipal securities	State and municipal securities					
State and municipal securities	State and municipal securities	\$ 6,372	\$ 219	\$ —	\$ 6,591	—
Total securities held-to-maturity	Total securities held-to-maturity	\$ 6,372	\$ 219	\$ —	\$ 6,591	—

Although the Corporation's investment portfolio overall is in a net unrealized loss position at **December 31, 2022** **December 31, 2023**, the temporary impairment in the above noted securities is primarily the result of changes in market interest rates subsequent to purchase and it is more likely than not that the Corporation will not be required to sell these securities prior to recovery to satisfy liquidity needs, and therefore, no securities are deemed to be other-than-temporarily impaired.

During

ACL on Securities AFS and HTM

We use credit ratings quarterly and the **quarter-ended March 31, 2022** most recent financial information of securities' issuers annually to help evaluate the credit quality of our securities AFS and HTM portfolios on a quarterly basis. The securities portfolio consists primarily of U.S. government treasuries and U.S. government agency asset backed securities which have no probability of default. The remaining portfolio consists of highly rated municipal bonds, non-agency CMO, and corporate bonds that have a low probability of default.

For the year ended December 31, 2023, \$27.7 million of municipal securities, previously classified as available-for-sale we had no significant ACL or provision expense and no charge-offs or recoveries on the balance sheet, were transferred to the held-to-maturity portfolio at fair value. At the time of transfer, \$1.3 million of unrealized losses remained in accumulated other comprehensive income, to be amortized over the remaining life of the securities as an adjustment to yield. No gain AFS or loss was recognized as a result of the transfer. As of December 31, 2022, \$1.2 million of unrealized losses remained in accumulated other comprehensive income.

As of December 31, 2022 and December 31, 2021, securities having a fair value of \$78.4 million and \$92.2 million, respectively, were specifically pledged as collateral for public funds, the FRB discount window program, FHLB borrowings and other purposes. The FHLB

has a blanket lien on non-pledged, mortgage-related loans and securities as part of the Corporation's borrowing agreement with the FHLB. HTM securities.

The following table shows the Corporation's investment gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in continuous unrealized loss position at the dates indicated:

		December 31, 2022													
		Less than 12 Months		12 Months or more		Total									
December 31, 2023															
Less than 12 Months								Less than 12 Months						12 Months or more	
(dollars in thousands)	(dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	(dollars in thousands)	Fair value	Unrealized losses		Fair value	Unrealized losses		
Securities available-for-sale:	Securities available-for-sale:														
U.S. asset backed securities															
U.S. asset backed securities															
U.S. asset backed securities	U.S. asset backed securities	\$ 6,531	\$ (80)	\$ 4,863	\$ (234)	\$ 11,394	\$ (314)								
U.S. government agency MBS	U.S. government agency MBS	6,022	(230)	4,637	(308)	10,659	(538)								
U.S. government agency CMO	U.S. government agency CMO	9,859	(821)	9,549	(1,421)	19,408	(2,242)								
State and municipal securities	State and municipal securities	7,487	(726)	31,351	(5,136)	38,838	(5,862)								
U.S. Treasuries	U.S. Treasuries	1,902	(97)	27,622	(3,360)	29,524	(3,457)								
Non-U.S. government agency CMO	Non-U.S. government agency CMO	8,423	(464)	666	(169)	9,089	(633)								
Corporate bonds	Corporate bonds	5,019	(431)	1,538	(212)	6,557	(643)								
Total securities available-for-sale	Total securities available-for-sale	\$45,243	\$ (2,849)	\$80,226	\$ (10,840)	\$125,469	\$ (13,689)								
		Less than 12 Months		12 Months or more		Total									
		Fair value	Unrecognized losses	Fair value	Unrecognized losses	Fair value	Unrecognized losses								
		Less than 12 Months													
		Less than 12 Months													
		Less than 12 Months													
		Fair value													
Securities held-to-maturity:	Securities held-to-maturity:														

State and municipal securities	100%
State and municipal securities	100%

State and municipal securities	State and municipal securities	\$ 10,130	\$ (364)	\$ 22,543	\$ (4,030)	\$ 32,673	\$ (4,394)
Total securities held-to-maturity	Total securities held-to-maturity	\$ 10,130	\$ (364)	\$ 22,543	\$ (4,030)	\$ 32,673	\$ (4,394)

	December 31, 2021		
	Less than 12 Months	12 Months or more	Total

December 31, 2022															Dec 31, 2021		
Less than 12 Months								Less than 12 Months								12 Months or more	
(dollars in thousands)	(dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	(dollars in thousands)	Fair value	Unrealized losses		Fair value	Unrealized losses		Fair value		

Securities available-for- sale:	Securities available-for- sale:
---------------------------------------	---------------------------------------

U.S. asset backed securities

U.S. asset backed securities

U.S. asset backed securities	U.S. asset backed securities	\$12,330	\$ (68)	\$ —	\$ —	\$12,330	\$ (68)
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U.S. government agency MBS	U.S. government agency MBS	3,852	(60)	—	—	3,852	(60)
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U.S. government agency CMO	U.S. government agency CMO	8,836	(187)	1,657	(66)	10,493	(253)
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State and municipal securities	State and municipal securities	14,994	(427)	2,019	(69)	17,013	(496)
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U.S.	U.S.						
Treasuries	Treasuries	28,750	(246)	—	—	28,750	(246)

Non-U.S. government agency CMO	Non-U.S. government agency CMO	975	(15)	—	—	975	(15)
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Corporate bonds	Corporate bonds	2,232	(18)	—	—	2,232	(18)
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Total securities available-for-sale	Total securities available-for-sale	\$ 71,969	\$ (1,021)	\$ 3,676	\$ (135)	\$ 75,645	\$ (1,156)
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	Less than 12 Months				
	Months				
	Less than 12 Months				
	Less than 12 Months				
	Fair value		12 Months or more		
			Total		
	Fair value	Unrecognized losses	Fair value	Unrecognized losses	Fair value
2017					
2016					
2015					
2014					
2013					
2012					
2011					
2010					
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Securities		
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maturity:		
State and municipal		
securities		
State and municipal		
securities		
State and municipal		
securities		
Total		
securities		
held-to-		
maturity		

The amortized cost and carrying value of securities are shown below by contractual maturities at the dates indicated. Actual maturities may differ from contractual maturities as issuers may have the right to call or repay obligations with or without call or prepayment penalties.

		December 31, 2022				December 31, 2021			
		Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity	
		December 31, 2023							
		December 31, 2023							
		December 31, 2023							
		Available-for-sale							
		Available-for-sale							
		Available-for-sale							
(dollars in thousands)									
(dollars in thousands)									
(dollars in thousands)	(dollars in thousands)	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	Due in one year or less	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 763	\$ 769
Due in one year or less									
Due in one year or less									
Due after one year through five years									
Due after one year through five years									
Due after one year through five years	Due after one year through five years	18,865	17,289	4,275	4,238	12,934	12,885	2,354	2,397
Due after five years through ten years	Due after five years through ten years	28,647	25,459	2,998	2,683	30,890	30,798	3,255	3,425
Due after five years through ten years									
Due after five years through ten years									
Due after ten years									
Due after ten years									
Due after ten years	Due after ten years	53,950	48,453	30,206	26,164	81,548	82,450	—	—
Subtotal	Subtotal	101,462	91,201	37,479	33,085	125,372	126,133	6,372	6,591
Subtotal									
Subtotal									
Mortgage-related securities									
Mortgage-related securities									

Mortgage-related securities	Mortgage-related securities	47,514	44,145	—	—	33,015	33,169	—	—
Total	Total	\$ 148,976	\$ 135,346	\$ 37,479	\$ 33,085	\$ 158,387	\$ 159,302	\$ 6,372	\$ 6,591
Total									
Total									

The following table presents the gross gain on sale of investment securities available for sale on the dates indicated:

		Years Ended December 31,			
		Year Ended December 31,		Year Ended December 31,	
		Year Ended December 31,		Year Ended December 31,	
		Year Ended December 31,			
(dollars in thousands)	(dollars in thousands)	2022	2021	(dollars in thousands)	2023
Proceeds from sale of investment securities	Proceeds from sale of investment securities	\$ —	\$ 23,585		
Gross gain on sale of available for sale investments		—	634		
Gross loss on sale of available for sale investments	Gross loss on sale of available for sale investments	—	199		
Gross loss on sale of available for sale investments					
Gross loss on sale of available for sale investments					

Pledged Securities

As of December 31, 2023 and December 31, 2022, securities having an amortized cost of \$60.1 million and \$89.0 million, respectively, were specifically pledged as collateral for public funds, the FRB discount window program, FHLB borrowings and other purposes. The FHLB has a blanket lien on non-pledged, mortgage-related loans and securities as part of the Corporation's borrowing agreement with the FHLB.

(5) Loans and Other Finance Receivables

The following table presents loans and other finance receivables, net of fees and costs detailed by category at the dates indicated:

(dollars in thousands)	December 31, 2022	December 31, 2021
Real estate loans:		
Commercial mortgage	\$ 565,400	\$ 516,928
Home equity lines and loans	59,399	52,299
Residential mortgage	221,837	68,175
Construction	271,955	160,905
Total real estate loans	1,118,591	798,307
Commercial and industrial	341,378	384,562
Small business loans	136,155	114,158
Consumer	488	419
Leases, net	138,986	88,242
Loans and other finance receivables, net of fees and costs	\$ 1,735,598	\$ 1,385,688
Balances included in loans, net of fees and costs:		
Residential mortgage real estate loans accounted under fair value option, at fair value	\$ 14,502	\$ 17,558
Residential mortgage real estate loans accounted under fair value option, at amortized cost	16,930	17,106
Unearned lease income included in leases, net	(25,715)	(17,366)
Unamortized net deferred loan origination costs	8,084	769

	December 31, 2023	December 31, 2022
<i>(dollars in thousands)</i>		
Real estate loans:		
Commercial mortgage	\$ 737,863	\$ 565,400
Home equity lines and loans	76,287	59,399
Residential mortgage	260,604	221,837
Construction	246,440	271,955

Total real estate loans	1,321,194	1,118,591
Commercial and industrial	302,891	341,378
Small business loans	142,342	136,155
Consumer	389	488
Leases, net	121,632	138,986
Loans and other finance receivables, net of fees and costs	\$ 1,888,448	\$ 1,735,598
Balances included in loans, net of fees and costs:		
Residential mortgage real estate loans accounted under fair value option, at fair value	\$ 13,726	\$ 14,502
Residential mortgage real estate loans accounted under fair value option, at amortized cost	16,198	16,930
Unearned lease income included in leases, net	(19,210)	(25,715)
Unamortized net deferred loan origination costs	7,358	8,084

Fair Value Option for Residential Mortgage Real Estate Loans

Residential mortgage real estate loans that were originated by the Corporation and intended for sale in the secondary market to permanent investors, but **in prior years** were either repurchased or unsalable due to defect and that the Corporation has the ability and intent to hold for the foreseeable future or until maturity or payoff are carried at fair value pursuant to the Corporation's election of the fair value option for these loans. The remaining loans, net of fees and costs are stated at their outstanding unpaid principal balances, net of deferred fees or costs since the original intent for these loans was to hold them until payoff or maturity.

Nonaccrual and Past Due Loans, Net of Fees and Costs

The following tables present an aging of the Corporation's loans, net of fees and costs at the dates indicated:

December 31, 2022										
December 31, 2023										
		30-89 days past due	90+ days past due and still accruing	Total past due	Current	Total Accruing Loans and leases	Nonaccrual loans and leases	Total loans, net of fees and costs	% Delinquent	
<i>(dollars in thousands)</i>	<i>(dollars in thousands)</i>									<i>(dollars in thousands)</i>
Commercial mortgage	Commercial mortgage	\$ —	\$ —	\$ —	\$ 565,260	\$ 565,260	\$ 140	\$ 565,400	0.02 %	Commercial mortgage
Home equity lines and loans	Home equity lines and loans	146	—	146	58,156	58,302	1,097	59,399	2.09	
Residential mortgage ⁽¹⁾	Residential mortgage ⁽¹⁾	4,262	—	4,262	215,490	219,752	2,085	221,837	2.86	
Construction	Construction	1,206	—	1,206	270,749	271,955	—	271,955	0.44	
Commercial and industrial	Commercial and industrial	101	—	101	328,730	328,831	12,547	341,378	3.70	
Small business loans	Small business loans	939	—	939	130,751	131,690	4,465	136,155	3.97	
Consumer	Consumer	—	—	—	488	488	—	488	—	
Leases, net	Leases, net	1,173	—	1,173	136,911	138,084	902	138,986	1.49 %	Leases, net
Total	Total	\$7,827	\$ —	\$7,827	\$1,706,535	\$1,714,362	\$ 21,236	\$1,735,598	1.67 %	Total

(1) Includes \$14,502 \$13.7 million of loans at fair value of which \$13,760 \$12.9 million are current, \$0 are 30-89 days past due, and \$786 thousand are nonaccrual.

December 31, 2022									
(dollars in thousands)	30-89 days past due	90+ days past due and still accruing	Total past due	Current	Total Accruing Loans and leases	Nonaccrual loans and leases	Total loans, net of fees and costs	% Delinquent	
Commercial mortgage	\$ —	\$ —	\$ —	\$ 565,260	\$ 565,260	\$ 140	\$ 565,400	0.02 %	
Home equity lines and loans	146	—	146	58,156	58,302	1,097	59,399	2.09	
Residential mortgage ⁽¹⁾	4,262	—	4,262	215,490	219,752	2,085	221,837	2.86	
Construction	1,206	—	1,206	270,749	271,955	—	271,955	0.44	
Commercial and industrial	101	—	101	328,730	328,831	12,547	341,378	3.70	
Small business loans	939	—	939	130,751	131,690	4,465	136,155	3.97	
Consumer	—	—	—	488	488	—	488	—	
Leases, net	1,173	—	1,173	136,911	138,084	902	138,986	1.49 %	
Total	\$ 7,827	\$ —	\$ 7,827	\$ 1,706,535	\$ 1,714,362	\$ 21,236	\$ 1,735,598	1.67 %	

(1) Includes \$14.5 million of loans at fair value of which \$13.8 million are current, \$184 thousand are 30-89 days past due and \$558 thousand are nonaccrual.

December 31, 2021									
(dollars in thousands)	30-89 days past due	90+ days past due and still accruing	Total past due	Current	Total Accruing Loans and leases	Nonaccrual loans and leases	Total loans, net of fees and costs	% Delinquent	
Commercial mortgage	\$ —	\$ —	\$ —	\$ 516,928	\$ 516,928	\$ —	\$ 516,928	— %	
Home equity lines and loans	103	—	103	51,285	51,388	911	52,299	1.94	
Residential mortgage ⁽¹⁾	600	—	600	65,177	65,777	2,398	68,175	4.40	
Construction	—	—	—	160,905	160,905	—	160,905	—	
Commercial and industrial	—	—	—	365,761	365,761	18,801	384,562	4.89	
Small business loans	—	—	—	113,492	113,492	666	114,158	0.58	
Consumer	—	—	—	419	419	—	419	—	
Leases, net	390	—	390	87,640	88,030	212	88,242	0.68 %	
Total	\$ 1,093	\$ —	\$ 1,093	\$ 1,361,607	\$ 1,362,700	\$ 22,988	\$ 1,385,688	1.74 %	

(1) Includes \$17,558 of loans at fair value of which \$16,768 are current, \$189 are 30-89 days past due and \$601 are nonaccrual.

Foreclosed and Repossessed Assets

At December 31, 2022 December 31, 2023, there were 5 4 consumer mortgage loans totaling \$942 \$937 thousand, secured by residential real estate properties (included in loans, net of fees and costs on the Consolidated Balance Sheets) for which formal foreclosure proceedings were in process.

Risks and Uncertainties

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. Additionally, most of our lending activity occurs within our primary market areas which are concentrated in southeastern Pennsylvania, Delaware, New Jersey, Maryland, and Maryland Florida, as well as other contiguous markets and represents a geographic concentration. Additionally, our loan portfolio is concentrated in commercial loans. Commercial loans are generally viewed as having more inherent risk of default than residential real estate loans or other consumer loans. Also, the commercial loan balance per borrower is typically larger than that for residential real estate loans and consumer loans, implying higher potential losses on an individual loan basis.

Past Due and Nonaccrual Status

The following table presents the amortized costs basis of loans and leases on nonaccrual status, net of fees and costs as of December 31, 2023. As of this date here were no loans 90 days or more past due and still accruing.

December 31, 2023			
(dollars in thousands)	Nonaccrual Without ACL	Nonaccrual With ACL	Total Nonaccrual
Home equity lines and loans	\$ 1,037	\$ —	\$ 1,037
Residential mortgage	4,536	—	4,536
Construction	1,206	—	1,206
Commercial and industrial	3,343	12,070	15,413
Small business loans	3,607	5,833	9,440
Leases, net	2,131	—	2,131
Total	\$ 15,860	\$ 17,903	\$ 33,763

Collateral-dependent Loans

The following table presents the amortized cost basis of non-accruing collateral-dependent loans by class of loans and type of collateral identified as of December 31, 2023 under the current expected credit loss model:

	December 31, 2023		
	Real Estate	Equipment and Other	Total
(dollars in thousands)			
Home equity lines and loans	\$ 1,037	\$ —	\$ 1,037
Residential mortgage	4,536	—	4,536
Construction	1,206	—	1,206
Commercial and industrial	1,890	13,523	15,413
Small business loans	6,320	3,120	9,440
Leases, net	—	2,131	2,131
Total	\$ 14,989	\$ 18,774	\$ 33,763

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

The Allowance is evaluated on at least a quarterly basis, as losses are estimated to be probable and incurred. The provision for loan and lease losses increase or decrease the ALLL, if deemed necessary. Loans deemed to be uncollectible are charged against the Allowance, and subsequent recoveries, if any, are credited to the Allowance.

The Allowance ACL is maintained at a level considered adequate to provide for estimated expected credit losses within the loan portfolio over the contractual life of an instrument that are probable considers our historical loss experience, current conditions and estimable forecasts of future economic conditions as of the balance sheet date. Management's periodic evaluation of the adequacy of the Allowance ACL is based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is subjective as it requires material estimates that may be susceptible to significant revisions as more information becomes available.

Roll-Forward of Allowance by Portfolio Segment

The following tables detail provide the roll-forward activity of the Corporation's Allowance, by portfolio segment, our allowance for credit losses for the periods indicated: year ended December 31, 2023 under the CECL model in accordance with ASC 326 (as adopted on January 1, 2023):

	Year Ended December 31, 2023					
	Beginning Balance, prior to adoption of ASU No. 2016-13 for	Adjustment to initially apply ASU No. 2016-13 for	Charge-offs	Recoveries	Provision (recovery of provision) for credit	Ending Balance
	CECL	CECL			losses	
(dollars in thousands)						
Commercial mortgage	\$ 4,095	\$ (526)	\$ —	\$ —	\$ 806	\$ 4,375
Home equity lines and loans	188	439	(87)	5	453	998
Residential mortgage	948	17	—	—	55	1,020
Construction	3,075	(1,763)	—	—	(827)	485
Commercial and industrial	4,012	(1,023)	(266)	57	1,738	4,518
Small business loans	4,909	1,110	(1,488)	5	2,469	7,005
Consumer	3	(3)	(2)	4	(2)	—
Leases	1,598	3,345	(4,033)	254	2,542	3,706
Total	\$ 18,828	\$ 1,596	\$ (5,876)	\$ 325	\$ 7,234	\$ 22,107

	Year Ended December 31, 2022				
	Beginning Balance	Charge-offs	Recoveries	Provision (Credit)	Ending Balance
(dollars in thousands)					
Commercial mortgage	\$ 4,950	\$ —	\$ —	\$ (855)	\$ 4,095
Home equity lines and loans	224	(12)	43	(67)	188
Residential mortgage	283	—	2	663	948
Construction	2,042	—	—	1,033	3,075
Commercial and industrial	6,533	—	97	(2,618)	4,012
Small business loans	3,737	—	—	1,172	4,909
Consumer	3	—	4	(4)	3
Leases	986	(2,616)	64	3,164	1,598
Total	\$ 18,758	\$ (2,628)	\$ 210	\$ 2,488	\$ 18,828

Reconciliation of Provision for Credit Losses

The following table provides a reconciliation of the provision for credit losses on the consolidated statements of income between the funded and unfunded components at the dates indicated:

--

(dollars in thousands)	Year Ended December 31,	
	2023	2022
Provision for credit losses - funded	\$ 7,234	\$ 2,488
Recovery of provision for credit losses - unfunded	(419)	—
Total provision for credit losses	\$ 6,815	\$ 2,488

(dollars in thousands)	Year Ended December 31, 2021				
	Beginning Balance	Charge-offs	Recoveries	Provision (Credit)	Ending Balance
Commercial mortgage	\$ 7,451	\$ —	\$ —	\$ (2,501)	\$ 4,950
Home equity lines and loans	434	(81)	82	(211)	224
Residential mortgage	385	—	5	(107)	283
Construction	2,421	—	—	(379)	2,042
Commercial and industrial	5,431	—	41	1,061	6,533
Small business loans	1,259	—	—	2,478	3,737
Consumer	4	—	4	(5)	3
Leases	382	(130)	—	734	986
Total	\$ 17,767	\$ (211)	\$ 132	\$ 1,070	\$ 18,758

Allowance Allocated by Portfolio Segment

The following tables detail the allocation of the ACL and the carrying value for loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases at the dates indicated:

(dollars in thousands)	December 31, 2023					
	Allowance for credit losses			Carrying value of loans and leases		
	Individually evaluated	Collectively evaluated	Total	Individually evaluated	Collectively evaluated	Total
Commercial mortgage	\$ —	\$ 4,375	\$ 4,375	\$ —	\$ 737,863	\$ 737,863
Home equity lines and loans	—	998	998	1,037	75,250	76,287
Residential mortgage	—	1,020	1,020	3,750	243,128	246,878
Construction	—	485	485	1,206	245,234	246,440
Commercial and industrial	3,691	827	4,518	15,413	287,478	302,891
Small business loans	2,805	4,200	7,005	9,440	132,902	142,342
Consumer	—	—	—	—	389	389
Leases, net	—	3,706	3,706	2,131	119,501	121,632
Total ⁽¹⁾	\$ 6,496	\$ 15,611	\$ 22,107	\$ 32,977	\$ 1,841,745	\$ 1,874,722

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

The following table details the pre-CECL allocation of the allowance for loan and lease losses and the carrying value for loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment at the dates indicated: at:

December 31, 2022											
Allowance on loans and leases						Carrying value of loans and leases					
December 31, 2022						December 31, 2022					
Allowance on loans and leases						Allowance on loans and leases			Carrying value of loans and leases		
(dollars in thousands)	(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Total	Individually evaluated for impairment	Collectively evaluated for impairment	Total	(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Commercial mortgage	Commercial mortgage	\$ —	\$ 4,095	\$ 4,095	\$ 2,445	\$ 562,955	\$ 565,400				

Home equity lines and loans	Home equity lines and loans	—	188	188	1,097	58,302	59,399
Residential mortgage	Residential mortgage	—	948	948	1,454	205,881	207,335
Construction	Construction	—	3,075	3,075	1,206	270,749	271,955
Commercial and industrial (2)		776	3,236	4,012	12,547	328,831	341,378
Commercial and industrial							
Small business loans	Small business loans	1,449	3,460	4,909	4,527	131,628	136,155
Consumer	Consumer	—	3	3	—	488	488
Consumer							
Consumer							
Leases	Leases	—	1,598	1,598	902	138,084	138,986
Total (1)	Total (1)	\$ 2,225	\$ 16,603	\$ 18,828	\$ 24,178	\$ 1,696,918	\$ 1,721,096

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

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

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

	December 31, 2021					
	Allowance on loans and leases			Carrying value of loans and leases		
	Individually evaluated	Collectively evaluated	Total	Individually evaluated	Collectively evaluated	Total
	for impairment	for impairment		for impairment	for impairment	
(dollars in thousands)						
Commercial mortgage	\$ —	\$ 4,950	\$ 4,950	\$ 3,556	\$ 513,372	\$ 516,928
Home equity lines and loans	—	224	224	905	51,394	52,299
Residential mortgage	—	283	283	1,797	48,820	50,617
Construction	—	2,042	2,042	1,206	159,699	160,905
Commercial and industrial (2)	2,900	3,633	6,533	17,361	367,201	384,562
Small business loans	376	3,361	3,737	792	113,366	114,158
Consumer	—	3	3	—	419	419
Leases	—	986	986	212	88,030	88,242
Total (1)	\$ 3,276	\$ 15,482	\$ 18,758	\$ 25,829	\$ 1,342,301	\$ 1,368,130

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

(2) Includes \$4.7 million and \$90.2 million of PPP loans as of December 31, 2022 and 2021, respectively, which are not reserved against as they are 100% guaranteed by the SBA.

Loans and Leases by Credit Ratings Quality Indicators

As part of the process of determining the Allowance ACL 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 tables detail the carrying value of loans and leases by portfolio segment based on the credit quality indicators used to determine the allowance for **loan and lease credit** losses at the dates indicated:

December 31, 2023		December 31, 2023								
Term Loans							Revolving Loans Converted to Term Loans		Revolving Loans	Total
2023										
2023										
2023										
<u>Commercial mortgage</u>										
<u>Commercial mortgage</u>										
<u>Commercial mortgage</u>										
Pass/Watch										
Pass/Watch										
Pass/Watch										
Special										
Mention										
Substandard										
Doubtful										
Total										
Current period										
gross charge-offs										
December 31, 2022										
		Special								
(dollars in thousands)	Pass	mention	Substandard	Doubtful	Total					
Commercial mortgage	\$ 536,705	\$25,309	\$ 3,386	\$ —	\$ 565,400					
Home equity lines and loans	57,822	—	1,577	—	59,399					
Construction	260,085	11,870	—	—	271,955					
<u>Construction</u>										
<u>Construction</u>										
Pass/Watch										
Pass/Watch										
Pass/Watch										
Special										
Mention										
Substandard										
Doubtful										
Total										
Current period										
gross charge-offs										
Commercial and industrial	Commercial and industrial	295,502	6,587	39,289	—	341,378				
<u>Commercial and industrial</u>										
<u>Commercial and industrial</u>										
Pass/Watch										
Pass/Watch										
Pass/Watch										
Special										
Mention										
Substandard										

Doubtful
Total
Current period
gross charge-offs
Small
Small business business
loans loans
131,690 — 4,465 — 136,155
Small business loans
Small business loans
Pass/Watch
Pass/Watch
Pass/Watch
Special
Mention
Substandard
Doubtful
Total
Current period
gross charge-offs
Total by risk rating
Total by risk rating
Total by risk rating
Pass/Watch
Pass/Watch
Pass/Watch
Special
Mention
Substandard
Doubtful
Total
Total
\$1,281,804 \$43,766 \$ 48,717 \$ — \$1,374,287
Total current
period gross
charge-offs

Commercial The Corporation had no loans with a risk rating of Doubtful included within recorded investment in loans and industrial loans classified as substandard totaled \$39.3 million as of December 31, 2022, a decrease of \$3.6 million from \$42.9 million as of December 31, 2021, due to payoffs and/or principal payments. leases held for investment at December 31, 2023.

December 31, 2021					
(dollars in thousands)	Pass	Special mention	Substandard	Doubtful	Total
Commercial mortgage	\$ 481,551	\$ 29,452	\$ 5,925	\$ —	\$ 516,928
Home equity lines and loans	50,908	—	1,391	—	52,299
Construction	151,608	9,297	—	—	160,905
Commercial and industrial	327,089	14,603	42,870	—	384,562
Small business loans	112,096	—	2,062	—	114,158
Total	\$ 1,123,252	\$ 53,352	\$ 52,248	\$ —	\$ 1,228,852

In addition to credit quality indicators as shown in the above tables, allowance allocations for residential mortgages, consumer loans and leases are also applied based on their performance status at the dates indicated:

December 31, 2023
December 31, 2023
December 31, 2023
Term Loans
Revolving Loans
Total

		2023					
		2023					
		2023					
<u>Home equity lines and loans</u>							
<u>Home equity lines and loans</u>							
<u>Home equity lines and loans</u>							
	Performing						
	Performing						
	Performing						
	Nonperforming						
	Total						
Current period							
gross charge-offs							
		December 31, 2022			December 31, 2021		
		Non-			Non-		
(dollars in thousands)		Performing	performing	Total	Performing	performing	Total
Residential mortgage (1)		\$ 205,881	\$ 1,454	\$207,335	\$ 48,820	\$ 1,797	\$ 50,617
<u>Residential mortgage (2)</u>							
<u>Residential mortgage (2)</u>							
<u>Residential mortgage (2)</u>							
	Performing						
	Performing						
	Performing						
	Nonperforming						
	Total						
Current period							
gross charge-offs							
Consumer	Consumer	488	—	488	419	—	419
<u>Consumer</u>							
<u>Consumer</u>							
	Performing						
	Performing						
	Performing						
	Nonperforming						
	Total						
Current period							
gross charge-offs							
	Leases, net						
Leases, net	net	138,084	902	138,986	88,030	212	88,242
<u>Leases, net</u>							
<u>Leases, net</u>							
	Performing						
	Performing						
	Performing						
	Nonperforming						
Total	Total	\$ 344,453	\$ 2,356	\$346,809	\$ 137,269	\$ 2,009	\$139,278
Current period							
gross charge-offs							
<u>Total by Payment</u>							
<u>Performance</u>							
<u>Total by Payment</u>							
<u>Performance</u>							

Total by Payment
Performance
Performing
Performing
Performing
Nonperforming
Total
Total current period
gross charge-offs
(1) Excludes \$13.7 million of loans at fair value.

	December 31, 2022				
	Pass	Special mention	Substandard	Doubtful	Total
(dollars in thousands)					
Commercial mortgage	\$ 536,705	\$ 25,309	\$ 3,386	\$ —	\$ 565,400
Home equity lines and loans	57,822	—	1,577	—	59,399
Construction	260,085	11,870	—	—	271,955
Commercial and industrial	295,502	6,587	39,289	—	341,378
Small business loans	131,690	—	4,465	—	136,155
Total	\$ 1,281,804	\$ 43,766	\$ 48,717	\$ —	\$ 1,374,287

In addition to credit quality indicators as shown in the above tables, allowance allocations for residential mortgages, consumer loans and leases are also applied based on their performance status at the dates indicated:

	December 31, 2022		
	Performing	Non-performing	Total
(dollars in thousands)			
Residential mortgage ⁽¹⁾	\$ 205,881	\$ 1,454	\$ 207,335
Consumer	488	—	488
Leases, net	138,084	902	138,986
Total	\$ 344,453	\$ 2,356	\$ 346,809

(1) There were four nonperforming residential mortgage loans at December 31, 2022 and four nonperforming residential mortgage loans at December 31, 2021 with a combined outstanding principal balance of \$558 thousand, and \$601 thousand, respectively, which were carried at fair value and not included in the table above.

Impaired Loans

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

		December 31, 2022			December 31, 2021			
		December 31, 2022			December 31, 2022			
		December 31, 2022			December 31, 2022			
(dollars in thousands)	(dollars in thousands)	Recorded investment	Principal balance	Related allowance	Recorded investment	Principal balance	Related allowance	(dollars in thousands)
Impaired loans with related allowance:								
Commercial and industrial	Commercial and industrial	\$ 11,099	\$ 12,095	\$ 776	\$ 17,147	\$ 17,310	\$ 2,900	
Small business loans	Small business loans	3,730	3,730	1,449	666	666	376	
Total								
Total								
Total	Total	\$ 14,829	\$ 15,825	\$ 2,225	\$ 17,813	\$ 17,976	\$ 3,276	
Impaired loans without related allowance:								

Commercial mortgage	Commercial mortgage	\$ 2,445	\$ 2,456	\$ —	\$ 3,556	\$ 3,559	\$ —
Commercial and industrial	Commercial and industrial	1,448	1,494	—	214	269	—
Small business loans	Small business loans	797	797	—	126	126	—
Home equity lines and loans	Home equity lines and loans	1,097	1,097	—	905	935	—
Residential mortgage	Residential mortgage	1,454	1,454	—	1,797	1,797	—
Construction	Construction	1,206	1,206	—	1,206	1,206	—
Leases	Leases	902	902	—	212	212	—
Total	Total	\$ 9,349	\$ 9,406	\$ —	\$ 8,016	\$ 8,104	\$ —
Grand Total	Grand Total	\$ 24,178	\$ 25,231	\$ 2,225	\$ 25,829	\$ 26,080	\$ 3,276

The following table details the average recorded investment and interest income recognized on impaired loans by portfolio segment.

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
<i>(dollars in thousands)</i>				
Impaired loans with related allowance:				
Commercial and industrial	\$ 13,211	\$ —	\$ 17,349	\$ 15
Small business loans	3,731	—	887	—
Total	\$ 16,942	\$ —	\$ 18,236	\$ 15
Impaired loans without related allowance:				
Commercial mortgage	\$ 2,523	\$ 105	\$ 3,578	\$ 43
Commercial and industrial	559	297	239	24
Small business loans	802	9	154	14
Home equity lines and loans	1,097	38	914	—
Residential mortgage	1,473	205	1,807	11
Construction	1,206	78	1,206	62
Leases	825	—	240	—
Total	\$ 8,485	\$ 732	\$ 8,138	\$ 154
Grand Total	\$ 25,427	\$ 732	\$ 26,374	\$ 169

Troubled Debt Restructuring

The restructuring of a loan is considered a TDR if both As result of the following conditions are met: (i) adoption of guidance related to CECL effective as of January 1, 2023, the borrower is experiencing financial difficulties, Corporation had no reportable balances related to TDRs as of 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 year ended December 31, 2023. See Note 1 - Summary of the debt, (b) an extension of the maturity date at an interest rate lower than the current market rate Significant Accounting Policies 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.

additional information.

The following table presents information about TDRs at the dates indicated:

	December 31, 2022	December 31, 2021
<i>(dollars in thousands)</i>		
TDRs included in nonperforming loans and leases	\$ 207	\$ 361
TDRs in compliance with modified terms	3,573	3,446

Total TDRs	\$	3,780	\$	3,807
------------	----	-------	----	-------

		December 31, 2022
(dollars in thousands)		
TDRs included in nonperforming loans and leases	\$	207
TDRs in compliance with modified terms		3,573
Total TDRs	\$	3,780

There was 1 new modification on a commercial mortgage for \$684 thousand for the year ended December 31, 2022, and 2 modifications granted during the year ended December 31, 2021. December 31, 2022 on commercial mortgages for \$1.2 million. Total TDRs declined year-over-year, despite the new modification in 2022, as two TDRs from prior to 2021 totaling \$563 thousand paid off in 2022, \$684 thousand. No modifications granted during the twelve months ended December 31, 2022 and 2021 subsequently defaulted during the same time period.

Modifications to Borrowers Experiencing Financial Difficulty

An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the ACL on loans and leases, a change to the allowance for credit losses is generally not recorded upon modification. However, when principal forgiveness is provided, the amortized cost basis of the asset is written off against the ACL on loans and leases. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

The following presents, by class of loans, information regarding accruing and nonaccrual modified loans to borrowers experiencing financial difficulty during the year ended December 31, 2023.

	Year Ended December 31, 2023			
	Number of Loans	Amortized Cost Basis	% of Total Class of Financing Receivable	Related Reserve
(dollars in thousands)				
Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:				
Small business loans	6	\$ 1,880	1.3%	\$ —
Commercial & industrial	2	2,401	0.8%	—
Total	8	\$ 4,281		\$ —
Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:				
Small business loans	3	\$ 1,726	1.2%	\$ 38
Commercial & industrial	1	1,324	0.4%	689
Total	4	\$ 3,050		\$ 727

The following presents, by class of loans, information regarding accruing and nonaccrual modified loans to borrowers experiencing financial difficulty during the year ended December 31, 2023.

	Year Ended December 31, 2023	
	Number of Loans	Financial Effect
Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:		
Small business loans	6	Extend maturity date
Commercial & industrial	2	Extend maturity date
Total	8	
Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:		
Small business loans	3	Extend term and allow additional lender funding
Commercial & industrial	1	Extend term and allow additional lender funding
Total	4	

There were 12 modifications granted to borrowers experiencing financial difficulty for the year ended December 31, 2023. There were no loans that had a payment default during the year ended December 31, 2023 that were modified in the 12 months before default to borrowers experiencing financial difficulty. There were no commitments to lend additional funds to the borrowers experiencing financial difficulty that had modifications during the year ended December 31, 2023.

(7) Bank Premises and Equipment

The components of premises and equipment at December 31, 2022, December 31, 2023 and 2021 2022 are as follows:

	(dollars in thousands)	December 31, 2022	December 31, 2021	(dollars in thousands)	December 31, 2023	December 31, 2022
Buildings	Buildings	\$ 9,150	\$ 4,141	Buildings	\$ 9,287	\$ 9,150
Leasehold improvements	Leasehold improvements	3,347	3,347	Leasehold improvements	4,234	3,347

Land	Land	600	600	Land	600	600
Land Improvements	Land Improvements	218	218	Land Improvements	218	218
Furniture, fixtures and equipment	Furniture, fixtures and equipment	3,577	3,229	Furniture, fixtures and equipment	3,587	3,577
Computer equipment and data processing software	Computer equipment and data processing software	9,242	7,971	Computer equipment and data processing software	9,397	9,242
Construction in process	Construction in process	40	3,763	Construction in process	—	40
Less: accumulated depreciation	Less: accumulated depreciation	(12,825)	(11,463)			
Total	Total	\$ 13,349	\$ 11,806	Total	\$ 13,557	\$ 13,349

Total depreciation expense for the years ended **December 31, 2022** December 31, 2023 and **2021** 2022 totaled **\$1.4 million** \$1.6 million and **\$1.3** \$1.4 million, respectively.

(8) Deposits

The components of deposits at **December 31, 2022** December 31, 2023 and **2021** 2022 are as follows:

(dollars in thousands)	(dollars in thousands)	December 31, 2022	December 31, 2021	(dollars in thousands)	December 31, 2023	December 31, 2022
Demand, non-interest bearing	Demand, non-interest bearing	\$ 301,727	\$ 274,528	Demand, non-interest bearing	\$ 239,289	\$ 301,727
Demand, interest bearing	Demand, interest bearing	219,838	268,248	Demand, interest bearing	150,898	219,838
Savings accounts	Savings accounts	36,125	45,038	Savings accounts	14,469	36,125
Money market accounts	Money market accounts	661,439	652,590	Money market accounts	733,334	661,439
Time deposits	Time deposits	493,350	206,009			
Total	Total	\$ 1,712,479	\$ 1,446,413	Total	\$ 1,823,462	\$ 1,712,479

Included in time deposits as of December 31, 2023, and December 31, 2022, are \$429.9 million and \$375.3 million of brokered deposits, respectively.

The aggregate amount of time deposits in denominations over \$250 thousand were **\$394.3** \$458.8 million and **\$179.8** \$394.3 million as of **December 31, 2022** December 31, 2023 and **2021**, 2022, respectively.

At **December 31, 2022** December 31, 2023, the scheduled maturities of time deposits are as follows (in thousands):

2023	\$414,853		
2024	20,815	2024	\$ 533,161
2025	24,211	2025	101,912
2026	33,450	2026	50,084
2027	21	2027	15
2028			
Total	Total \$493,350	Total	\$ 685,472

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

The Corporation's short-term borrowings generally consist of Federal funds purchased and short-term borrowings extended under agreements with the FHLB and **two** **one** unsecured Federal funds borrowing facilities with correspondent banks: **one** of **\$24 million** and **one** banks of \$15 million. Federal funds purchased generally represent one-day borrowings. The Corporation had \$0 in Federal funds purchased at **December 31, 2022** December 31, 2023 and **December 31, 2021** December 31, 2022. The Corporation also has a facility with the Federal Reserve Bank discount window of **\$8.8 million** \$7.8 million. This facility is fully secured by investment securities. There were no borrowings under this at **December 31, 2022** December 31, 2023 and **December 31, 2021** December 31, 2022.

Additionally, the Corporation has a facility with the Federal Reserve's BTFP of \$33 million. This facility was created by the Federal Reserve in March 2023 and is fully secured by United States Treasury Bonds. There were \$33 million in borrowings under this facility at December 31, 2023.

The following table presents short-term borrowings at the dates indicated:

(dollars in thousands)	(dollars in thousands)	Maturity date	Interest rate	December 31, 2022	December 31, 2021	(dollars in thousands)	Maturity date	Interest rate	December 31, 2023	December 31, 2022
FHLB	FHLB									
Open	Open									
Repo Plus	Repo									
Weekly	Plus		4.45% -							
	Weekly	6/5/2023	3.11%	\$ 113,147	\$ 36,458					
FHLB Mid-term										
Repo-fixed		9/12/2022	0.23%	—	4,886					
Total				\$ 113,147	\$ 41,344					
FRB BTFP										
Advances										
FHLB Mid-term Repo										
Fixed										
Total										
Short-Term Borrowings										

The Corporation had following table presents long-term debt of \$8.9 million as of December 31, 2022, with an interest rate of 4.23% and a maturity date of December 22, 2025. The Corporation had no long-term debt as of December 31, 2021. borrowings at the dates indicated:

(dollars in thousands)	Maturity date	Interest rate	December 31, 2023	December 31, 2022
FHLB Mid-term Repo Fixed	12/22/2025	4.23%	\$ 8,935	\$ 8,935
FHLB Mid-term Repo Fixed	7/14/2026	4.57%	15,245	—
FHLB Mid-term Repo Fixed	10/14/2025	5.16%	9,492	—
Total Long-Term Borrowings			\$ 33,672	\$ 8,935

The FHLB has also issued \$49.1 million \$104.3 million of letters of credit to the Corporation for the benefit of the Corporation's public deposit funds and loan customers. These letters of credit expire throughout 2023, 2024.

The Corporation has a maximum borrowing capacity with the FHLB of \$561.7 million \$626.8 million as of December 31, 2022 December 31, 2023 and \$505.4 million \$561.7 million as of December 31, 2021 December 31, 2022. All advances and letters of credit from the FHLB are secured by a blanket lien on non-pledged, mortgage-related loans and securities as part of the Corporation's borrowing agreement with the FHLB.

(10) Subordinated Debentures

In December 2008, The following table presents subordinated debentures at the dates indicated:

	Maturity date	Interest rate	December 31, 2023	December 31, 2022
2023 Debentures	08/31/2033	8.00%	\$ 9,740	\$ —
2019 Debentures	12/30/2029	5.38%	40,000	40,000
2013 Debentures	12/31/2028	6.50%	497	653
2011 Debentures	12/31/2026	6.00%	347	463
2008 Debentures	12/18/2023	6.00%	—	56
Debt Origination Costs			(748)	(826)
Total Subordinated Debentures			\$ 49,836	\$ 40,346

The Corporation issued the 2023 and 2019 Debentures, while the Bank issued \$550 thousand of mandatory convertible unsecured subordinated debentures (2008 Debentures). The 2008 Debentures have a maturity date of December 18, 2023 and interest on the 2008 Debentures is paid quarterly at 6%. The 2008 Debentures are convertible into 1 share of the Corporation's common stock for every \$15 in principal amount of the 2008 Debentures automatically on such date, if any, as accumulated losses of the Bank first exceed the sum of the retained earnings and capital surplus accounts of the Bank. The 2008 Debentures began to repay principal in eight equal installments which commenced in December of 2016. As of December 31, 2022, \$56 thousand of the 2008 Debentures remained outstanding, after pay downs of \$56 thousand each year during 2022 and 2021.

In December 2011, the Bank issued \$1.4 million of mandatory convertible unsecured subordinated debentures (2011 Debentures). The 2011 Debentures have a maturity date of December 31, 2026 and interest on the 2011 Debentures is paid quarterly at 6%. The 2011 Debentures are convertible into 1 share of the Corporation's common stock for every \$17 in principal amount of the 2011 Debentures automatically on such date, if any, as accumulated losses of the Bank first exceed the sum of the retained earnings and capital surplus accounts of the Bank. The 2011 Debentures began

to repay principal in eight equal installments which commenced in December of 2020. As of December 31, 2022, \$462 thousand of the 2011 Debentures remained outstanding, after pay downs of \$116 thousand each year during 2022 and 2021.

In April 2013, the Bank issued \$1.4 million of mandatory convertible unsecured subordinated debentures (2013 Debentures). The 2013 Debentures have a maturity date of December 31, 2028 and interest on the 2013, Debentures is paid quarterly at 6.5%. The 2013 Debentures are convertible into 1 share of the Corporation's common stock for every \$22 in principal amount of the 2013 Debentures automatically on such date, if any, as accumulated losses of the Bank first exceed the sum of the retained earnings 2011 and capital surplus accounts of the Bank. As of December 31, 2022, \$652 thousand of the 2013 Debentures remained outstanding, after pay downs of \$109 thousand each year during 2022 and 2021. Subsequent to December 31, 2022 \$56 thousand 2013 Debentures was redeemed by the holder.

2008 Debentures. Upon formation of the bank holding company, the Corporation assumed the 2008, 2013, 2011 and 2008 Debentures.

Interest is paid semi-annually on the 2023 and 2019 Debentures, and paid quarterly on the 2013, 2011 and 2008 debentures. The 2013, 2011 and 2008 Debentures that were originally issued by are includable as Tier 2 capital for determining the Bank's compliance with regulatory capital requirements.

The 2019 and 2023 Debentures are included as Tier 2 capital for the Corporation and as Tier 1 capital for the Bank.

During December 2019, the Corporation issued \$40 million of fixed-to-floating rate non-convertible unsecured subordinated debentures (2019 Debentures). The 2019 Debentures have a maturity date of December 30, 2029 and interest on the 2019 Debentures is paid semiannually at 5.375%. The debt issuance costs are included as a direct deduction from the debt liability and these costs are amortized to interest expense using the effective yield method. During 2022 and 2021 the Corporation made interest payments of \$2.2 million each year on the 2019 Debentures.

The 2008, 2011, and 2013 Debentures are includable as Tier 2 capital for determining the Bank's compliance with regulatory capital requirements (see footnote 17). The 2019 Debentures are included as Tier 2 capital for the Corporation and as Tier 1 capital for the Bank.

(11) Servicing Assets

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

Residential Mortgage Loans

The related MSR asset is amortized over the period of the estimated future net servicing life of the underlying assets. MSRs are evaluated quarterly for impairment based upon the fair value of the rights as compared to their amortized cost. Impairment is recognized on the income statement to the extent the fair value is less than the capitalized amount of the MSR. The Corporation serviced \$1.0 billion \$945.2 million of residential mortgage loans as of December 31, 2022 December 31, 2023 and 2021. \$1.0 billion as of December 31, 2022. During the year ended December 31, 2022 December 31, 2023 the Corporation recognized servicing fee income of \$2.6 million \$2.5 million compared to \$2.0 million \$2.6 million, during the year ended December 31, 2021 December 31, 2022.

Changes in the MSR balance are summarized as follows:

		Year Ended December 31,				Year Ended December 31,	
		December 31,				December 31,	
(dollars in thousands)	(dollars in thousands)	2022	2021	(dollars in thousands)	2023	2022	
Balance at beginning of the period	Balance at beginning of the period	\$ 10,756	\$ 4,647				
Servicing rights capitalized	Servicing rights capitalized	668	6,769				
Amortization of servicing rights	Amortization of servicing rights	(1,488)	(1,087)				
Change in valuation allowance	Change in valuation allowance	6	427				
Balance at end of the period	Balance at end of the period	\$ 9,942	\$ 10,756				

Activity in the valuation allowance for MSRs was as follows:

		Year Ended December 31,				Year Ended December 31,	
		December 31,				December 31,	
(dollars in thousands)	(dollars in thousands)	2022	2021	(dollars in thousands)	2023	2022	

Valuation allowance, beginning of period	Valuation allowance, beginning of period	\$ (8)	\$ (435)
Impairment	Impairment	(4)	—
Recovery	Recovery	10	427
Valuation allowance, end of period	Valuation allowance, end of period	\$ (2)	\$ (8)

The Corporation uses assumptions and estimates in determining the fair value of MSRs. These assumptions include prepayment speeds and discount rates. The assumptions used in the valuation were based on input from buyers, brokers and other qualified personnel, as well as market knowledge. At December 31, 2023, the key assumptions used to determine the fair value of the Corporation's MSRs included a lifetime constant prepayment rate equal to 8.57% and a discount rate equal to 9.50%. At December 31, 2022, the key assumptions used to determine the fair value of the Corporation's MSRs included a lifetime constant prepayment rate equal to 8.05% and a discount rate equal to 9.50%. At December 31, 2021, the key assumptions used to determine the fair value of the Corporation's MSRs included a lifetime constant prepayment rate equal to 7.23% and a discount rate equal to 9.00%. As interest rates increased and the number of mortgage refinancings have declined, model inputs have been adjusted to align the MSRs fair value with market conditions.

The sensitivity of the current fair value of the residential mortgage servicing rights to immediate 10% and 20% favorable and unfavorable changes in key economic assumptions are included in the following table.

(dollars in thousands)	(dollars in thousands)	December 31, 2022	December 31, 2021	(dollars in thousands)	December 31, 2023	December 31, 2022
Fair value of residential mortgage servicing rights	Fair value of residential mortgage servicing rights	\$11,567	\$11,241			
Weighted average life (months)	Weighted average life (months)	22	11			
Weighted average life (months)						
Weighted average life (months)					28	22
Prepayment speed	Prepayment speed	8.05 %	7.23 %			
Prepayment speed						
Prepayment speed					8.57 %	8.05 %
Impact on fair value:	Impact on fair value:					
10% adverse change						
10% adverse change						
10% adverse change	10% adverse change	\$ (268)	\$ (376)			
20% adverse change	20% adverse change	(525)	(731)			
Discount rate	Discount rate	9.50 %	9.00 %			
Discount rate						
Discount rate					9.50 %	9.50 %
Impact on fair value:	Impact on fair value:					
10% adverse change	10% adverse change	\$ (404)	\$ (436)			
10% adverse change						

10% adverse change			
20% adverse change	20% adverse change	(777)	(840)

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

SBA Loans

SBA loan servicing assets are amortized over the period of the estimated future net servicing life of the underlying assets. SBA loan servicing assets are evaluated quarterly for impairment based upon the fair value of the rights as compared to their amortized cost. Impairment is recognized on the income statement to the extent the fair value is less than the capitalized amount of the SBA loan servicing asset. The Corporation serviced \$166.1 million \$225.8 million and \$115.1 million \$166.1 million of SBA loans, as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively.

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

		Year Ended December 31,				Year Ended December 31,	
		December 31,				December 31,	
(dollars in thousands)	(dollars in thousands)	2022	2021	(dollars in thousands)	2023		2022
Balance at beginning of the period	Balance at beginning of the period	\$ 2,009	\$ 970				
Servicing rights capitalized	Servicing rights capitalized	1,395	1,488				
Amortization of servicing rights	Amortization of servicing rights	(732)	(392)				
Change in valuation allowance	Change in valuation allowance	(268)	(57)				
Balance at end of the period	Balance at end of the period	\$ 2,404	\$ 2,009				

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

		Year Ended December 31,				Year Ended December 31,	
		December 31,				December 31,	
(dollars in thousands)	(dollars in thousands)	2022	2021	(dollars in thousands)	2023		2022
Valuation allowance, beginning of period	Valuation allowance, beginning of period	\$ (96)	\$ (39)				
Impairment	Impairment	(408)	(57)				
Recovery	Recovery	140	—				
Valuation allowance, end of period	Valuation allowance, end of period	\$ (364)	\$ (96)				

The Corporation uses assumptions and estimates in determining the fair value of SBA loan servicing rights. These assumptions include prepayment speeds, discount rates, and other assumptions. The assumptions used in the valuation were based on input from buyers, brokers and other qualified personnel, as well as market knowledge. At December 31, 2023, the key assumptions used to determine the fair value of the Corporation's SBA loan servicing rights included a lifetime constant prepayment rate equal to 14.70% and a discount rate equal to 14.66%. At December 31, 2022, the key assumptions used to determine the fair value of the Corporation's SBA loan servicing rights included a lifetime constant prepayment rate equal to 12.73% and a discount rate equal to 18.96%. At December 31, 2021, the key assumptions used to determine the fair value of the Corporation's SBA loan servicing rights included a lifetime constant prepayment rate equal to 12.38% and a discount

rate equal to 9.01%. The change in valuation allowance due to impairment noted in the tables above, was largely due to the increases decrease in discount rate and partially offset by the increase in prepayment speed as a result of the rising interest rate environment and depressed market pricing on sales of such loans. environment.

The sensitivity of the current fair value of the SBA loan servicing rights to immediate 10% and 20% favorable and unfavorable changes in key economic assumptions are included in the following table.

(dollars in thousands)	(dollars in thousands)	December 31, 2022	December 31, 2021	(dollars in thousands)	December 31, 2023	December 31, 2022
Fair value of SBA loan servicing rights	Fair value of SBA loan servicing rights	\$ 2,422	\$ 2,107			
Weighted average life (years)	Weighted average life (years)	3.8	3.8			
Weighted average life (years)						
Weighted average life (years)					3.5	3.8
Prepayment speed	Prepayment speed	12.73 %	12.38 %			
Prepayment speed						
Prepayment speed					14.70 %	12.73 %
Impact on fair value:	Impact on fair value:					
10% adverse change						
10% adverse change						
10% adverse change	10% adverse change	\$ (73)	\$ (69)			
20% adverse change	20% adverse change	(141)	(132)			
Discount rate	Discount rate	18.96 %	9.01 %			
Discount rate						
Discount rate					14.66 %	18.96 %
Impact on fair value:	Impact on fair value:					
10% adverse change	10% adverse change	\$ (53)	\$ (54)			
10% adverse change						
10% adverse change						
20% adverse change	20% adverse change	(104)	(106)			

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

(12) Lease Commitments

On January 1, 2022, the Corporation adopted ASU 2016-02 (Topic 842), "Leases", as further explained in Note 1, Summary of Significant Accounting Policies. The Corporation's operating leases consist of various retail branch locations and loan production offices. As of December 31, 2022December 31, 2023, the Corporation's leases have remaining lease terms ranging from 2 months to 12 years, including extension options.

The Corporation's leases include fixed rental payments, and certain of our leases also include variable rental payments where lease payments may increase at pre-determined dates based on the change in the consumer price index. The Corporation's lease agreements include gross leases as well as leases in which we make separate payments to the lessor for items such as the property taxes

assessed on the property or a portion of the common area maintenance associated with the property. We have elected the practical expedient not to separate lease and non-lease components for all of our building leases. The Corporation also elected to not recognize ROU assets and lease liabilities for short-term leases.

As of December 31, 2023, the Corporation's ROU assets and related lease liabilities were \$9.4 million and \$9.4 million, respectively. As of December 31, 2022 and the Corporation's ROU assets and related lease liabilities were \$9.0 million and \$8.9 million, respectively. These amounts are included within other assets and other liabilities, respectively.

The components of lease expense were as follows:

	Year Ended December 31, 2022	
(dollars in thousands)		
Operating lease expense	\$	2,242
Short term lease expense		13
Total lease expense	\$	2,255

	Year Ended December 31,	
(dollars in thousands)	2023	2022
Operating lease expense	\$ 2,319	\$ 2,242
Short term lease expense	8	13
Variable lease expense	52	—
Total lease expense	\$ 2,379	\$ 2,255

Supplemental cash flow information related to leases was as follows:

(dollars in thousands)	December 31, 2022	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	2,150
ROU asset obtained in exchange for lease liabilities		10,936

(dollars in thousands)	December 31, 2023	December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 2,131	\$ 2,150
ROU asset obtained in exchange for lease liabilities	2,476	10,936

Maturities of operating lease liabilities were as follows for the period indicated:

(dollars in thousands)	(dollars in thousands)	December 31, 2022	(dollars in thousands)	December 31, 2023
2023		\$ 1,919		
2024	2024	1,746		
2025	2025	1,456	2025	1,736
2026	2026	1,436	2026	1,649
2027	2027	1,278	2027	1,493
2028			2028	741
Thereafter	Thereafter	1,856	Thereafter	3,029
		\$ 9,691		
		\$		
Less: Present value discount	Less: Present value discount	(827)		
Total operating lease liabilities	Total operating lease liabilities	\$ 8,864		

As of December 31, 2022 December 31, 2023, the weighted-average remaining lease term for all operating leases, including extension options that the Corporation is reasonably certain will be exercised for retail branch locations, is 6.2 years.

Because we generally do not have access to the rate implicit in the lease, we utilize our incremental borrowing rate as the discount rate. The weighted average discount rate associated with operating leases as of December 31, 2022 December 31, 2023 is 2.63% 3.23%.

As of December 31, 2022, the Corporation entered into one additional lease for a branch re-location. This lease will commence upon discontinuance of the previous location.

Total rental expense for the year ended December 31, 2022 was \$2.2 million.

(13) Stock-Based Compensation

The Corporation has issued stock options under the Meridian Bank 2004 Stock Option Plan (2004 Plan). The 2004 Plan authorized the Board of Directors to grant options up to an aggregate of 892,182 shares, as adjusted for the 5% stock dividends in 2012, 2014 and 2016, and the two-for-one stock split effective February 28, 2023, to officers, other employees and directors of the Corporation. No additional shares are available for future grants. The shares granted under the 2004 Plan to directors are nonqualified options. The shares granted under the 2004 Plan to officers and other employees are incentive stock options, and are subject to the limitations under Section 422 of the Internal Revenue Code.

The Meridian Bank 2016 Equity Incentive Plan (2016 Plan) was amended on May 24, 2019 March 25, 2023 to authorize the Board of Directors to grant up to an aggregate of 1,373,800 1,673,800 stock awards that can take different forms. A total of 1,124,000 1,222,000 stock options and 86,416 shares of restricted stock have been granted under the 2016 Plan through December 31, 2022 December 31, 2023, including the impact of the two-for-one stock split. As of December 31, 2022 December 31, 2023 there were 239,540 119,540 stock awards remaining to be issued. Options granted under the 2016 Plan to directors are nonqualified options, while options granted to officers and other employees are incentive stock options, and are subject to the limitations under Section 422 of the Internal Revenue Code.

Stock Options

Stock-based compensation cost is measured at the grant date, based on the fair value of the award and the cost is recognized as an expense over the vesting period. The fair value of stock option grants is determined using the Black-Scholes pricing model. The assumptions necessary for the calculation of the fair value are expected life of options, annual volatility of stock price, risk-free interest rate and annual dividend yield.

Stock option awards granted under the 2016 Plan have a term that does not exceed 10 years and vest according to each award's specific vesting schedule. Currently, all option awards granted to date vest 25% upon grant and become fully exercisable after 3 years of service from the grant date.

The following table provides information about stock options outstanding as of December 31, 2022 December 31, 2023 and 2021: 2022:

		Shares	Weighted average exercise price	Weighted average grant date fair value			Shares	Weighted average exercise price	Weighted average grant date fair value
Outstanding at December 31, 2020		801,454	\$ 8.27	\$ 2.35	Outstanding at December 31, 2021		923,928	\$ 10.19	\$ 3.10
Exercised		(154,530)	6.84	2.18	Exercised		(87,134)	8.67	2.43
Granted		285,300	13.75	4.74	Granted		246,500	16.22	5.38
Forfeited		(8,296)	9.32	3.29	Forfeited		(29,606)	12.14	3.92
Outstanding at December 31, 2022		1,053,688	\$ 11.67	\$ 3.67	Outstanding at December 31, 2022		1,053,688	\$ 11.67	\$ 3.67
Exercisable at December 31, 2022		694,670	10.26	3.09	Exercisable at December 31, 2022		694,670	10.26	3.09
Nonvested at December 31, 2022		359,018	14.40	4.79	Nonvested at December 31, 2022		359,018	14.40	4.79
Exercised		(29,890)	8.86	2.56	Exercised		(29,890)	8.86	2.56
Granted		98,000	10.08	2.37	Granted		98,000	10.08	2.37
Forfeited		(22,000)	14.38	4.84	Forfeited		(22,000)	14.38	4.84
Outstanding at December 31, 2023		1,099,798	\$ 11.55	\$ 3.56	Outstanding at December 31, 2023		1,099,798	\$ 11.55	\$ 3.56
Exercisable at December 31, 2023		846,294	10.87	3.32	Exercisable at December 31, 2023		846,294	10.87	3.32

Nonvested	Nonvested at December 31,			
at December	2023	253,504	13.83	4.35
31, 2023				

The weighted average remaining contractual life of the outstanding stock options at December 31, 2022 December 31, 2023 is 7.4 years. At December 31, 2022 December 31, 2023 the range of exercise prices is \$5.90 to \$17.76. The aggregate intrinsic value of options outstanding and exercisable was \$3.9 \$3.1 million and \$3.5 \$2.8 million, respectively, as of December 31, 2022 December 31, 2023.

The fair value of each option granted in 2023 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 3.6%, risk-free interest rate of 4.73%, expected life of 5.75 years, and volatility of 33.42% based on an average of the Corporation's share price since going public. The weighted average fair value of options granted in 2023 was \$2.37 to per share.

The fair value of each option granted in 2022 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 2.6%, risk-free interest rate of between 3.01% and 4.26% 2.93%, expected life of 5.75 years, and expected volatility of between 33.30% and 39.00% 37.73% based on an average of the Corporation's share price since going public. The weighted average fair value of options granted in 2022 was \$4.67 \$5.38 to \$5.82 per share.

The fair value of each option granted in 2021 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 2.6%, risk-free interest rate of between 1.02% and 1.54%, expected life of 5.75 years, and expected volatility of 39.25% and 40.97% based on an average of the Corporation's share price since going public. The weighted average fair value of options granted in 2021 was \$4.07 to \$4.79 per share.

Total stock option compensation cost for the years ended December 31, 2022 December 31, 2023 and 2021 2022 was \$650 thousand and \$1.0 million, and \$803 thousand, respectively. During the year ended December 31, 2022 December 31, 2023 and 2021, 2022, the Corporation received \$711 \$279 thousand and \$1.0 million \$711 thousand from the exercise of stock options, respectively. The Corporation recognized and \$3 thousand and \$116 thousand in excess tax benefits related to stock compensation cost for the twelve months ended December 31, 2022. No such excess tax benefits were recognized 2021. December 31, 2023 and 2022.

In accordance with ASU 2016-09 – Compensation – Stock Compensation (ASU 2016-09), forfeitures are recognized as they occur instead of applying an estimated forfeiture rate to each grant. For purposes of the determination of stock-based compensation expense for the year years ended December 31, 2022 December 31, 2023, and 2022, we recognized the forfeiture of 22,000, and 29,606 of shares of stock options that were previously granted to officers and other employees. employees, respectively.

As of December 31, 2022 December 31, 2023, there was \$1.7 \$1.1 million of unrecognized compensation cost related to nonvested stock options. This cost will be recognized over a weighted average period of 7.4 years. During 2022 2023, the intrinsic value of options exercised was \$754 \$179 thousand.

Restricted Stock

The restricted stock awards granted under the 2016 Plan vest according to each award's specific vesting schedule. No awards were granted in 2023 and 2022. All awards granted in 2021 2022 vested 100% one year from the grant date. The grant date fair value of the restricted stock is based on the closing price on the date prior to the grant.

Shares				Weighted Average Grant Date Fair Value			
Shares							
Shares							

Outstanding / nonvested at December 31, 2022	Outstanding / nonvested at December 31, 2022	—	\$	—
--	--	---	----	---

Compensation expense for restricted stock is measured based on the market price of the stock on the day prior to the grant date and is recognized on a straight-line basis over the vesting period. For the years ended December 31, 2022, December 31, 2023 and 2021, 2022, the Corporation

recognized \$70 thousand \$0 and \$460 \$70 thousand of expense related to the restricted stock, respectively. As of December 31, 2022, December 31, 2023 and 2022 there was \$0 in unrecognized compensation costs related to restricted stock.

(14) Income Taxes

The following table presents the components of federal and state income tax expense for the periods indicated:

		December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
(dollars in thousands)	(dollars in thousands)			(dollars in thousands)	
Federal:	Federal:				
Current	Current				
Current	Current	\$ 4,580	\$ 10,022		
Deferred	Deferred	903	(717)		
Total federal income tax expense	Total federal income tax expense	\$ 5,483	\$ 9,305		
State:	State:				
Current	Current	\$ 494	\$ 1,463		
Current	Current				
Deferred	Deferred	114	(51)		
Total state income tax expense	Total state income tax expense	\$ 608	\$ 1,412		
Total income tax expense	Total income tax expense	\$ 6,091	\$ 10,717		

A reconciliation of the statutory income tax at 21% to the income tax expense included in the statement of operations is as follows for 2022, 2023 and 2021, 2022, respectively:

		December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
(dollars in thousands)	(dollars in thousands)			(dollars in thousands)	
Federal income tax at statutory rate	Federal income tax at statutory rate	\$5,863 21.0 %	\$ 9,733 21.0 %	\$ 3,563 21.0	\$ 5,863 21.0
State tax expense, net of federal benefit	State tax expense, net of federal benefit	480 1.7	1,116 2.4		
Tax exempt interest	Tax exempt interest	(276) (1.0)	(248) (0.5)		
Bank owned life insurance	Bank owned life insurance	(116) (0.4)	(77) (0.2)		

Stock based compensation	36	0.1	81	0.2
ESOP	48	0.2	41	0.1
Other	56	0.2	71	0.1
Effective income tax rate	\$6,091	21.8 %	\$10,717	23.1 %

(dollars in thousands)	December 31, 2023		December 31, 2022	
Stock based compensation	123	0.7	36	0.1
ESOP	26	0.2	48	0.2
Other	123	0.8	56	0.2
Effective income tax rate	\$ 3,724	22.0 %	\$ 6,091	21.8 %

The components of the net deferred tax asset at December 31, 2022, December 31, 2023 and 2021, 2022 are as follows:

(dollars in thousands)	(dollars in thousands)	December 31, 2022	December 31, 2021	(dollars in thousands)	December 31, 2023	December 31, 2022
Deferred tax assets:	Deferred tax assets:					
Allowance for loan and lease losses		\$ 4,212	\$ 4,345			
Allowance for credit losses						
Allowance for credit losses						
Allowance for credit losses						
Unrealized loss on available for sale securities	Unrealized loss on available for sale securities	3,327	—			
Accrued incentive compensation		—	287			
Accrued retirement						
Accrued retirement						
Accrued retirement	Accrued retirement	891	874			
Mortgage pipeline fair-value adjustment	Mortgage pipeline fair-value adjustment	535	—			
Deferred rent	Deferred rent	96	141			
Mortgage repurchase reserve	Mortgage repurchase reserve	192	738			
Unfunded commitment reserve						
Other	Other	179	183			
Total deferred tax asset	Total deferred tax asset	\$ 9,432	\$ 6,568			
Deferred tax liabilities:	Deferred tax liabilities:					
Property and equipment	Property and equipment	\$ (948)	\$ (535)			
Property and equipment						
Property and equipment						
Loan servicing rights	Loan servicing rights	(2,762)	(2,957)			
Intangibles	Intangibles	(23)	(15)			

Mortgage pipeline fair-value adjustment				—	(308)
Hedge instrument fair-value adjustment	Hedge instrument fair-value adjustment	(12)	(190)		
Unrealized gain on available for sale securities				—	(213)
Hedge instrument fair-value adjustment					
Hedge instrument fair-value adjustment					
Prepaid expenses					
Prepaid expenses					
Prepaid expenses	Prepaid expenses	(341)	(465)		
Deferred loan costs	Deferred loan costs	(1,410)	(471)		
Other				—	(1)
Total deferred tax liability					
Total deferred tax liability					
Total deferred tax liability	Total deferred tax liability	\$ (5,496)	\$ (5,155)		
Net deferred tax asset	Net deferred tax asset	\$ 3,936	\$ 1,413		

The effective tax rates for the twelve-month periods ended December 31, 2022, December 31, 2023 and 2021 2022 were 21.8%, 22.0% and 23.1%, 21.8% respectively. The decrease/increase in rate between 2021 2022 and 2022 2023 was primarily related to the decrease impact of additional nondeductible stock compensation expense in pre-tax income as well as a reduction 2023 partially offset by an increase in state income tax expense, tax-free bank owned life insurance income.

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 Corporation will realize the benefits of these deferred tax assets.

As of December 31, 2023, the Corporation had an investment in low-income housing tax credits of \$4.9 million on which it recognized tax credits of \$343 thousand, amortization of \$340 thousand and tax benefits from losses of \$168 thousand during the year ended December 31, 2023. As of December 31, 2022, the Corporation had an investment in low-income housing tax credits of \$5.3 million on which it recognized tax credits of \$294 thousand, amortization of \$381 thousand and tax benefits from losses of \$131 thousand during the year ended December 31, 2022. As of December 31, 2021, the Corporation had an investment in low-income housing tax credits of \$3.3 million on which it recognized tax credits of \$161 thousand, amortization of \$183 thousand and tax benefits from losses of \$144 thousand during the year ended December 31, 2021. The tax benefits are included within other in the statutory rate reconciliation above.

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

The Corporation has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, their immediate families and affiliated companies (commonly referred to as related parties). Loans receivable from related parties totaled \$2.0 million and \$5.1 million at December 31, 2022 and 2021, respectively. Advances, repayments, and the effect of changes in composition of related parties during 2022 totaled \$5.2 million, \$6.1 million, and \$2.2 million, respectively. Advances, repayments, and the effect of changes in composition of related parties during 2021 totaled \$2.8 million, \$1.3 million, and \$284 thousand, respectively.

	Year Ended December 31,	
	2023	2022
(dollars in thousands)		
Loans receivable from related parties - beginning at end of period	\$ 2,046	\$ 5,098
Advances for related parties	447	5,196
Proceeds repayments from related party	(415)	(6,070)
Effect of changes in composition of related parties	(499)	(2,178)
Loans receivable from related parties - balance at end of period	\$ 1,579	\$ 2,046

Deposits of related parties totaled \$30.6 million and \$32.6 million at December 31, 2023 and \$34.7 million at December 31, 2022 and 2021, 2022, respectively. Subordinated debt held by related parties totaled \$1.1 million and \$208 thousand at December 31, 2023 and \$409 thousand at December 31, 2022 and 2021, 2022, respectively.

The Corporation paid legal fees of \$14 thousand and \$22 thousand to a law firm of a director for the years year ended December 31, 2022 and 2021, respectively, . The director retired from the law firm in 2022.

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

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of the Corporation's financial instrument commitments at December 31, 2022 and 2021 is as follows: the dates indicated:

		December December				December 31,	December 31,
(dollars in thousands)	(dollars in thousands)	31, 2022	31, 2021	(dollars in thousands)		2023	2022
Commitments to fund loans and commitments under lines of credit	Commitments to fund loans and commitments under lines of credit	\$ 506,203	\$ 486,632	Commitments to fund loans and commitments under lines of credit		\$ 517,743	\$ 506,203
Letters of credit	Letters of credit	19,042	25,986	Letters of credit		10,924	19,042

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. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Outstanding letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. The majority of these are standby letters of credit that expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Corporation requires collateral supporting these letters of credit as deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees.

Loans sold under FHA or investor programs are subject to indemnification or repurchase if they fail to meet the origination criteria of those programs or 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. There was 3 indemnifications signed for the year ended December 31, 2023 for \$860 thousand, and 2 indemnifications indemnification signed for the year ended December 31, 2022 for \$734 thousand, and 1 indemnification signed for the year ended December 31, 2021 for \$109 thousand. A repurchase reserve of \$858 \$508 thousand was recorded at December 31, 2022 December 31, 2023, as compared to \$3.2 million \$858 thousand as of December 31, 2021 December 31, 2022. There were 5 5 loans repurchased for the year ended December 31, 2022 December 31, 2023 with a total unpaid principal balance of \$1.8 million \$1.3 million, as compared to six 8 loans repurchased for the year ended December 31, 2021 December 31, 2022 with an unpaid principal balance of \$1.3 \$1.8 million.

(17) Regulatory Matters

The Bank and the Corporation are 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 Corporation's Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and the Corporation must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's and the Corporation's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank and the Corporation to maintain minimum amounts and ratios (set forth below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2022 December 31, 2023, that the Bank and the Corporation meet met all capital adequacy requirements to which it is subject.

Community banks have long raised concerns with bank regulators about the regulatory burden, complexity, and costs associated with certain provisions of the Basel III Rule. In response, Congress provided an "off-ramp" for institutions, like us, with total consolidated assets of less than \$10 billion. Section 201 of the Regulatory Relief Act instructed the federal banking regulators to establish a single CBLR of between 8 and 10%. Under the final rule, a community banking organization is eligible to elect the new framework if it has: less than \$10 billion in total consolidated assets, limited amounts of certain assets and off-balance sheet exposures, and a CBLR greater than 9%. The Bank's CBLR ratio was 9.95% 9.46% at December 31, 2022 2023.

As of December 31, 2022 December 31, 2023, the Federal Deposit Insurance Corporation FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

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

The Corporation's and the Banks's actual and required capital amounts and ratios under the CBLR rules at December 31, 2022 December 31, 2023 and 2021 2022 are presented below.

Corporation		Bank		Well-capitalized minimum
December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	

Tier 1 leverage ratio	8.13 %	9.39 %	9.95 %	11.51 %	5.00 %
Common tier 1 risk-based capital ratio	8.77 %	10.83 %	10.73 %	13.27 %	6.50 %
Tier 1 risk-based capital ratio	8.77 %	10.83 %	10.73 %	13.27 %	8.00 %
Total risk-based capital ratio	12.05 %	14.81 %	11.87 %	14.63 %	10.00 %

(dollars in thousands)	Actual		For Capital Adequacy Purposes (includes applicable capital conservation buffer)		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023						
Tier 1 leverage ratio:						
Meridian Bank	\$ 211,355	9.46 %	\$ 89,399	4.00 %	\$ 111,749	5.00 %
Common tier 1 risk-based capital ratio:						
Meridian Bank	211,355	10.10 %	146,448	7.00 %	135,987	6.50 %
Tier 1 risk-based capital ratio:						
Meridian Bank	211,355	10.10 %	177,829	8.50 %	167,369	8.00 %
Total risk-based capital ratio:						
Meridian Bank	233,671	11.17 %	219,672	10.50 %	209,211	10.00 %
December 31, 2022						
Tier 1 leverage ratio:						
Meridian Bank	\$ 196,584	9.95 %	\$ 78,995	4.00 %	\$ 98,743	5.00 %
Common tier 1 risk-based capital ratio:						
Meridian Bank	196,584	10.73 %	128,305	7.00 %	119,140	6.50 %
Tier 1 risk-based capital ratio:						
Meridian Bank	196,584	10.73 %	155,799	8.50 %	146,634	8.00 %
Total risk-based capital ratio:						
Meridian Bank	217,593	11.87 %	192,457	10.50 %	183,293	10.00 %

(18) Fair Value Measurements and Disclosures

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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

In accordance with this guidance, the Corporation groups its financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis.

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.

Mortgage Loans Held for Sale

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

Mortgage Loans Held for Investment

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

Derivative Financial Instruments

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

The following table presents the fair value of financial assets measured at fair value on a recurring basis by level within the fair value hierarchy at the dates indicated:

December 31, 2022												
December 31, 2023												
(dollars in thousands)	(dollars in thousands)	Level				(dollars in thousands)	Total	Level 1	Level 2		Level 3	
		Total	Level 1	Level 2	3							
Assets	Assets											
Securities available for sale:	Securities available for sale:											
Securities available for sale:												
Securities available for sale:												
U.S. asset backed securities												
U.S. asset backed securities												
U.S. asset backed securities	U.S. asset backed securities	\$ 15,281	\$ —	\$ 15,281	\$ —							
U.S. government agency MBS	U.S. government agency MBS	11,739	—	11,739	—							
U.S. government agency CMO	U.S. government agency CMO	23,318	—	23,318	—							
State and municipal securities	State and municipal securities	38,838	—	38,838	—							
U.S. Treasuries	U.S. Treasuries	29,523	29,523	—	—							
Non-U.S. government agency CMO	Non-U.S. government agency CMO	9,089	—	9,089	—							
Corporate bonds	Corporate bonds	7,558	—	7,558	—							
Equity investments	Equity investments	2,086	—	2,086	—							
Mortgage loans held for sale	Mortgage loans held for sale	22,243	—	22,243	—							
Mortgage loans held for investment	Mortgage loans held for investment	14,502	—	14,502	—							
Interest rate lock commitments	Interest rate lock commitments	87	—	—	87							

U.S. Treasuries		29,728	29,728	—	—
Non-U.S. government agency CMO		975	—	975	—
Corporate bonds	Corporate bonds	6,586	—	6,586	—
Equity investments	Equity investments	2,354	—	2,354	—
Mortgage loans held for sale	Mortgage loans held for sale	80,882	—	80,882	—
Mortgage loans held for investment	Mortgage loans held for investment	17,558	—	17,558	—
Interest rate lock commitments	Interest rate lock commitments	1,122	—	—	1,122
Forward commitments	Forward commitments	65	—	65	—
Customer derivatives - interest rate swaps	Customer derivatives - interest rate swaps	961	—	961	—
Total	Total	\$ 262,244	\$ 29,728	\$ 231,394	\$ 1,122
Liabilities	Liabilities				
Liabilities					
Liabilities					
Interest rate lock commitments	Interest rate lock commitments	\$ 203	\$ —	\$ —	\$ 203
Forward commitments		106	—	106	—
Interest rate lock commitments					
Interest rate lock commitments					
Customer derivatives - interest rate swaps	Customer derivatives - interest rate swaps	1,018	—	1,018	—
Risk Participation Agreements					
Total	Total	\$ 1,327	\$ —	\$ 1,124	\$ 203

The following table presents assets measured at fair value on a nonrecurring basis at the dates indicated:

(dollars in thousands)	(dollars in thousands)	December 31, 2022	December 31, 2021	(dollars in thousands)	December 31, 2023	December 31, 2022
Mortgage servicing rights	Mortgage servicing rights	\$ 9,942	\$ 10,756			
SBA loan servicing rights	SBA loan servicing rights	2,404	2,009			
Impaired loans ⁽¹⁾						
Individually evaluated loans ⁽¹⁾						
Commercial and industrial	Commercial and industrial					
Commercial and industrial	Commercial and industrial	—	1,837		9,818	—
Small business loans	Small business loans	2,281	290	Small business loans	3,134	2,281
Total	Total	\$ 14,627	\$ 14,892			

(1) Impaired Individually evaluated loans are those in which the Corporation has measured impairment generally based on the fair value of the loan's collateral. Refer to the following page for further qualitative discussion around impaired loans.

The following table details the valuation techniques for Level 3 impaired loans.

(dollars in thousands)

	Fair Value	Valuation Technique	Significant Unobservable Input	Range of Inputs
December 31, 2022 2023	\$ 2,281 12,952	Appraisal of collateral	Management adjustments on appraisals for property type and recent activity	2%-15% -33% discount
December 31, 2021 2022	2,127 2,281	Appraisal of collateral	Management adjustments on appraisals for property type and recent activity	2%-15% discount

Below is management’s estimate of the fair value of all financial instruments, whether carried at cost or fair value on the Corporation’s balance sheet. The following information should not be interpreted as an estimate of the fair value of the entire Corporation since a fair value calculation is only provided for a limited portion of the Corporation’s assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Corporation’s disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair value of the Corporation’s financial instruments:

Cash and Cash Equivalents

The carrying amounts reported in the balance sheet for cash and short-term instruments approximate those assets’ fair values.

Loans Receivable

The fair value of loans receivable is estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair value below is reflective of an exit price.

Servicing Assets

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

Impaired

Individually Evaluated Loans

Impaired Individually evaluated loans are those in which the Corporation has measured impairment generally based on the fair value of the loan’s collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. Non-real estate collateral may be valued using an appraisal, net book value per the borrower’s financial statements, or aging reports, adjusted or discounted based on management’s historical knowledge, changes in market conditions from the time of the valuation, and management’s expertise and knowledge of the client and client’s business. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. Impaired Individually evaluated loans are evaluated on a quarterly basis for additional impairment and adjusted in accordance with the Allowance policy.

Accrued Interest Receivable and Payable

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

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.

Short-Term Borrowings

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

Long-Term Debt

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

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.

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.

Derivative Financial Instruments

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

The following table presents the estimated fair values of the Corporation’s financial instruments at the dates indicated:

December 31, 2022	December 31, 2021		
December 31, 2023		December 31, 2023	December 31, 2022

		Fair Value											
(dollars in thousands)	(dollars in thousands)	Hierarchy Level	Carrying amount	Fair value	Carrying amount	Fair value	(dollars in thousands)	Fair Value Hierarchy Level	Carrying amount	Fair value	Carrying amount	Fair value	
Financial assets:	Financial assets:												
Cash and cash equivalents	Cash and cash equivalents												
Cash and cash equivalents	Cash and cash equivalents												
Cash and cash equivalents	Cash and cash equivalents	Level 1	\$ 38,391	\$ 38,391	\$ 23,480	\$ 23,480							
Mortgage loans held for sale	Mortgage loans held for sale	Level 2	22,243	22,243	80,882	80,882							
Loans receivable, net of the allowance for loan and lease losses	Loans receivable, net of the allowance for loan and lease losses	Level 3	1,729,180	1,679,955	1,368,899	1,370,885							
Mortgage loans held for sale	Mortgage loans held for sale												
Mortgage loans held for sale	Mortgage loans held for sale												
Loans receivable, net of the allowance for credit losses	Loans receivable, net of the allowance for credit losses												
Mortgage loans held for investment	Mortgage loans held for investment	Level 2	14,502	14,502	17,558	17,558							
Financial liabilities:	Financial liabilities:												
Financial liabilities:	Financial liabilities:												
Deposits	Deposits	Level 2	1,712,479	1,575,600	1,446,413	1,549,100							
Short-term borrowings	Short-term borrowings	Level 2	122,082	122,082	41,344	41,344							
Deposits	Deposits												
Deposits	Deposits												
Borrowings	Borrowings												
Subordinated debentures	Subordinated debentures	Level 2	40,346	40,020	40,508	40,803							

The following table includes a rollforward of interest rate lock commitments for which the Corporation utilized Level 3 inputs to determine fair value on a recurring basis for the periods indicated.

Year Ended December 31,	
Year Ended December 31,	
Year Ended December 31,	
Year Ended December 31,	
Year Ended December 31,	

(dollars in thousands)	(dollars in thousands)	2022	2021	(dollars in thousands)	2023	2022
Balance at beginning of the period	Balance at beginning of the period	\$ 1,122	\$ 6,932			
Decrease in value	Decrease in value	(1,035)	(5,810)			
Balance at end of the period	Balance at end of the period	\$ 87	\$ 1,122			

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

(dollars in thousands)	(dollars in thousands)	Fair Value	Valuation Technique	Significant Unobservable Input	Range of Inputs	Weighted Average	(dollars in thousands)	Fair Value	Valuation Technique	Significant Unobservable Input	Range of Inputs	Weighted Average
December 31, 2023	December 31, 2023	\$ 214	Market comparable pricing				December 31, 2023	\$ 214	Market comparable pricing	Pull through	1% - 99%	79.48%
December 31, 2022	December 31, 2022	\$ 87	Market comparable pricing	Pull through	1% - 99%	84.05%	December 31, 2022	87	Market comparable pricing	Pull through	1% - 99%	84.05%
December 31, 2021	December 31, 2021	1,122	Market comparable pricing	Pull through	1% - 99%	87.66%						

(19) Derivative Financial Instruments

Risk Management Objective of Using Derivatives

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

Interest Rate Swaps

The Corporation uses interest rate swap agreements to modify interest rate characteristics from variable to fixed or fixed to variable in order to reduce the impact of interest rate changes on future net interest income. The Corporation’s credit exposure on interest rate swaps includes changes in fair value and any collateral that is held by a third party.

In June 2023, the Corporation entered into three interest rate swaps classified as cash flow hedges with notional amounts of \$25 million each, to hedge the interest payments received on short term borrowings. Under the terms of the three swap agreements, the Corporation pays average fixed rates of 4.070%, 4.027% and 4.117%, and receives variable rates in return indexed to SOFR. The swaps mature between May, June, and December 2026. The Corporation performed an assessment of the hedge for effectiveness at the inception of the hedge and performs an assessment on a recurring basis and determined that the derivative currently is and is expected to be highly effective in offsetting changes in cash flows of the hedged item. For the year ended December 31, 2023, \$412 thousand, net of tax, is recorded in total comprehensive income as unrealized gains. This amount could differ from amounts actually recognized due to changes in interest rates, hedge designations and the addition of other hedges subsequent to December 31, 2023. As of December 31, 2023, the combined notional amount of the interest rate swaps was \$75 million and the fair value was an liability of \$539 thousand.

Mortgage Banking Derivatives

In connection with its mortgage banking activities, the Corporation enters into commitments to originate certain fixed rate residential mortgage loans for customers, also referred to as interest rate locks. In addition, the Corporation enters into forward commitments for the future sales or purchases of mortgage-backed securities to or from third-party counterparties to hedge the effect of changes in interest rates on the values of both the interest rate locks and mortgage loans held for sale. Forward sales commitments may also be in the form of commitments to sell individual mortgage loans or interest rate locks at a fixed price at a future date. The amount necessary to settle each interest rate lock is based on the price that secondary market investors would pay for loans with similar characteristics, including interest rate and term, as of the date fair value is measured. Interest rate lock commitments and forward commitments are recorded within other assets/liabilities on the consolidated balance sheets, with changes in fair values during the period recorded within net change in the fair value of derivative instruments on the consolidated statements of income.

Customer Derivatives – Interest Rate Swaps

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

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

	December 31, 2022	December 31, 2021
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December 31, 2023							December 31, 2023			December 31, 2022		
		Balance Sheet Line Item	Notional Amount	Asset (Liability) Fair Value	Notional Amount	Asset (Liability) Fair Value	(dollars in thousands)	Balance Sheet Line Item	Notional Amount	Asset (Liability) Fair Value	Notional Amount	Asset (Liability) Fair Value
(dollars in thousands)	(dollars in thousands)											
Interest Rate Lock Commitments												
Positive fair values	Positive fair values	Other assets	\$ 16,590	\$ 87	\$108,653	\$ 1,122						
Negative fair values	Negative fair values	Other liabilities	16,108	(79)	35,264	(203)						
Total	Total		\$ 32,698	\$ 8	\$143,917	\$ 919						
Forward Commitments												
Forward Commitments												
Positive fair values	Positive fair values	Other assets	\$ —	\$ —	\$ 30,500	\$ 65						
Negative fair values	Negative fair values	Other liabilities	—	—	45,500	(106)						
Total	Total		\$ —	\$ —	\$ 76,000	\$ (41)						
Customer Derivatives - Interest Rate Swaps												
Customer Derivatives - Interest Rate Swaps												
Positive fair values	Positive fair values	Other assets	\$ 43,779	\$ 3,846	\$ 35,447	\$ 961						
Negative fair values	Negative fair values	Other liabilities	43,779	(3,799)	35,447	(1,018)						
Total	Total		\$ 87,558	\$ 47	\$ 70,894	\$ (57)						
Risk Participation Agreements												
Risk Participation Agreements												
Positive fair values	Positive fair values	Other assets	\$ —	\$ —	\$ —	\$ —						
Negative fair values	Negative fair values	Other liabilities	7,200	(17)	—	—						
Total	Total		\$ 7,200	\$ (17)	\$ —	\$ —						
Interest Rate Swaps												
Interest Rate Swaps												
Interest Rate Swaps												
Positive fair values												
Positive fair values												
Positive fair values												
Negative fair values												
			—									
			\$									
Total derivative financial instruments	Total derivative financial instruments		\$127,456	\$ 38	\$290,811	\$ 821						
Total derivative financial instruments												
Total derivative financial instruments												
Interest rate lock commitments are considered Level 3 in the fair value hierarchy, while the forward commitments and interest rate swaps are considered Level 2 in the fair value hierarchy.												
The following table presents a summary of the fair value (losses) gains on derivative financial instruments:												
Year Ended December 31,												

Interest rate lock commitments are considered Level 3 in the fair value hierarchy, while the forward commitments and interest rate swaps are considered Level 2 in the fair value hierarchy.

The following table presents a summary of the fair value (losses) gains on derivative financial instruments:

Year Ended December 31,

Year Ended December 31,		Year Ended December 31,	
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(dollars in thousands)	(dollars in thousands)	2022	2021	(dollars in thousands) 2022
Interest Rate Lock Commitments	Interest Rate Lock Commitments	\$ (911)	\$(5,913)	
Forward Commitments	Forward Commitments	41	1,531	
Customer Derivatives - Interest Rate Swaps	Customer Derivatives - Interest Rate Swaps	105	44	
Risk Participation Agreements	Risk Participation Agreements	62	—	
Net fair value (losses) gains on derivative financial instruments		\$ (703)	\$(4,338)	
Interest Rate Swaps				
Net fair value gains (losses) on derivative financial instruments				

Net realized gains on derivative hedging activities were \$5.4 million \$28 thousand and net realized gains were \$3.0 million \$5.4 million for the year ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively, and are included in non-interest income in the consolidated statements of income.

(20) Segments

ASC Topic 280 – Segment Reporting identifies operating segments as components of an enterprise which are evaluated regularly by the Corporation’s Chief Operating Decision Maker, our Chief Executive Officer, in deciding how to allocate resources and assess performance. The Corporation has applied the aggregation criterion set forth in this codification to the results of its operations.

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

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

Meridian’s mortgage banking segment (“Mortgage”) consists of 128 loan production offices throughout suburban Philadelphia and Maryland. The Mortgage segment originates 1 – 4 family residential mortgages and sells nearly all of its production to third party investors. The unit generates net interest income on the loans it originates and holds temporarily, then earns fee income (primarily gain on sales) at the time of the sale. The unit also recognizes income from document preparation fees, changes in portfolio pipeline fair values and related net hedging gains (losses).

The table below summarizes income and expenses, directly attributable to each business line, which has been included in the statement of operations. Total assets for each segment is also provided.

Segment Information		Segment Information
Year Ended December 31, 2022	Year Ended December 31, 2021	
Segment Information		Segment Information

Year Ended December 31, 2023														Year Ended December 31, 2023		Year Ended December 31, 2022		
(dollars in thousands)	(dollars in thousands)	Bank	Wealth	Mortgage	Total	Bank	Wealth	Mortgage	Total	(dollars in thousands)	Bank	Wealth	Mortgage	Total	Bank	Wealth	Mortgage	Total
Net interest income	Net interest income	\$ 68,570	\$ 697	\$ 861	\$ 70,128	\$ 61,032	\$ 15	\$ 2,064	\$ 63,111									
Provision for loan losses	Provision for loan losses	2,488	—	—	2,488	1,070	—	—	1,070									
Net interest income after provision	Net interest income after provision	66,082	697	861	67,640	59,962	15	2,064	62,041									
Non-interest Income	Non-interest Income																	
Non-interest Income																		
Non-interest Income																		
Mortgage banking income																		
Mortgage banking income																		
Mortgage banking income	Mortgage banking income	436	—	24,889	25,325	1,097	—	74,835	75,932									
Wealth management income	Wealth management income	—	4,733	—	4,733	—	4,801	—	4,801									
SBA income	SBA income	4,467	—	—	4,467	6,898	—	—	6,898									
Net change in fair values	Net change in fair values	167	—	(4,122)	(3,955)	43	—	(7,881)	(7,838)									
Net gain on hedging activity	Net gain on hedging activity	—	—	5,439	5,439	—	—	2,961	2,961									
Other	Other	2,486	(1)	3,230	5,715	2,741	1	2,492	5,234									
Non-interest income	Non-interest income	7,556	4,732	29,436	41,724	10,779	—	4,802	72,407									
Non-interest expense	Non-interest expense	45,122	3,399	32,923	81,444	40,392	3,496	59,839	103,727									
Income (loss) before taxes	Income (loss) before taxes	\$ 28,516	\$ 2,030	\$ (2,626)	\$ 27,920	\$ 30,349	—	\$ 1,321	\$ 14,632									
Total Assets	Total Assets	\$2,011,835	\$8,142	\$ 42,251	\$2,062,228	\$1,608,305	\$ 6,355	\$ 98,783	\$1,713,443									
Total Assets																		
Total Assets																		

(21) Parent Company Financial Statements

The condensed financial statements of the Corporation (parent company only) are presented below. These statements should be read in conjunction with the notes to the consolidated financial statements. All share amounts have been adjusted to reflect the two-for-one stock split effective February 28, 2023.

A. Condensed Balance Sheets

(dollars in thousands, except share data)	(dollars in thousands, except share data)	December 31, 2022	December 31, 2021	(dollars in thousands, except share data)	December 31, 2023	December 31, 2022
Assets:	Assets:					
Cash and due from banks						
Cash and due from banks						
Cash and due from banks	Cash and due from banks	\$ 4,839	\$ 2,836		2,600	\$ 4,839

Investments in subsidiaries	Investments in subsidiaries	186,686	200,410	Investments in subsidiaries	204,132	186,686
Other assets	Other assets	1,382	1,382	Other assets	2,239	1,382
Total assets	Total assets	\$ 192,907	\$ 204,628			
Liabilities:	Liabilities:					
Subordinated debentures	Subordinated debentures	\$ 39,175	\$ 39,057			
Subordinated debentures						
Subordinated debentures				\$ 48,992	\$ 39,175	
Accrued interest payable	Accrued interest payable	6	6	Accrued interest payable	220	6
Other liabilities	Other liabilities	446	205	Other liabilities	1,737	446
Total liabilities	Total liabilities	\$ 39,627	\$ 39,268			
Stockholders' equity:	Stockholders' equity:					
Common stock, \$1 par value: 25,000,000 shares authorized; 13,156,308 and 13,069,174 shares issued, respectively; and 11,465,572 and 12,215,788 shares outstanding, respectively.		13,156	6,535			
Common stock, \$1 par value: 25,000,000 shares authorized; 13,186,198 and 13,156,308 shares issued, respectively; and 11,183,015 and 11,465,572 shares outstanding, respectively.						
Common stock, \$1 par value: 25,000,000 shares authorized; 13,186,198 and 13,156,308 shares issued, respectively; and 11,183,015 and 11,465,572 shares outstanding, respectively.						
Common stock, \$1 par value: 25,000,000 shares authorized; 13,186,198 and 13,156,308 shares issued, respectively; and 11,183,015 and 11,465,572 shares outstanding, respectively.						
Common stock, \$1 par value: 25,000,000 shares authorized; 13,186,198 and 13,156,308 shares issued, respectively; and 11,183,015 and 11,465,572 shares outstanding, respectively.				13,186	13,156	
Surplus	Surplus	79,072	83,663	Surplus	80,325	79,072
Treasury Stock - 1,690,736 and 853,386 shares, respectively, at cost		(21,821)	(8,860)			
Treasury Stock - 2,003,183 and 1,690,736 shares, respectively, at cost				Treasury Stock - 2,003,183 and 1,690,736 shares, respectively, at cost	(26,079)	(21,821)
Unearned common stock held by employee stock ownership plan	Unearned common stock held by employee stock ownership plan	(1,403)	(1,602)	Unearned common stock held by employee stock ownership plan	(1,204)	(1,403)
Retained earnings	Retained earnings	95,815	84,916	Retained earnings	101,216	95,815
Accumulated other comprehensive income	Accumulated other comprehensive income	(11,539)	708	Accumulated other comprehensive income	(9,422)	(11,539)

Total stockholders' equity	Total stockholders' equity	\$ 153,280	\$ 165,360	Total stockholders' equity	\$ 158,022	\$ 153,280
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 192,907	\$ 204,628	Total liabilities and stockholders' equity	\$ 208,971	\$ 192,907

B. Condensed Statements of Income

Year Ended December 31,				Year Ended December 31,	
Year Ended December 31,				Year Ended December 31,	
(dollars in thousands)	(dollars in thousands)	2022	2021	(dollars in thousands)	2023
Dividends from Bank	Dividends from Bank	\$ 27,813	\$ 17,187	Dividends from Bank	\$ 9,655
Interest income	Interest income	8	—	Interest income	2
Other income					
Total operating income	Total operating income	27,821	17,187		
Interest expense	Interest expense	2,268	2,303	Interest expense	2,484
Other expenses	Other expenses	1,412	1,675	Other expenses	1,168
Income before equity in undistributed income of subsidiaries	Income before equity in undistributed income of subsidiaries	24,141	13,209		
Equity in undistributed income of subsidiaries	Equity in undistributed income of subsidiaries	(3,084)	22,376	Equity in undistributed income of subsidiaries	6,376
Income before income taxes	Income before income taxes	21,057	35,585	Income before income taxes	12,503
Income tax benefit	Income tax benefit	(772)	—	Income tax benefit	(740)
Net income	Net income	21,829	35,585	Net income	13,243
Total other comprehensive (loss) income		(12,247)	(1,848)		
Total other comprehensive income (loss)				Total other comprehensive income (loss)	2,117
Total comprehensive income	Total comprehensive income	\$ 9,582	\$ 33,737	Total comprehensive income	\$ 15,360

C. Condensed Statements of Cash Flows

Year Ended December 31,				Year Ended December 31,	
Year Ended December 31,				Year Ended December 31,	
(dollars in thousands)	(dollars in thousands)	2022	2021	(dollars in thousands)	2023
Cash flows from operating activities:	Cash flows from operating activities:				
Net Income	Net Income	\$21,829	\$35,585		
Net Income					
Net Income				\$ 13,243	\$ 21,829

Adjustments to reconcile net income to net cash provided by (used in) operating activities:	Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in undistributed income of subsidiaries	Equity in undistributed income of subsidiaries	3,084	(22,376)
Share-based compensation		1,475	1,607
Amortization of issuance costs on subordinated debt		118	153
Other, net		(1,369)	(740)
Equity in undistributed income of subsidiaries			
Equity in undistributed income of subsidiaries		(6,376)	3,084

	Year Ended December 31,		Year Ended December 31,
(dollars in thousands)		(dollars in thousands)	
		2023	2022
Share-based compensation	Share-based compensation	1,173	1,475
Amortization of issuance costs on subordinated debt	Amortization of issuance costs on subordinated debt	118	118

	Year Ended December 31,		
(dollars in thousands)	2022	2021	
Other, net			
Other, net			
Other, net			
			(2,748)
			(1,369)

Net cash provided by operating activities	Net cash provided by operating activities	25,137	14,229	Net cash provided by operating activities	5,624	25,137
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Cash flows from investing activities:			
Investment in subsidiaries			
Investment in subsidiaries			
Investment in subsidiaries			(8,000)
Net cash (used in) investing activities			(8,000)
Net cash (used in) investing activities			—

Cash flows from financing activities:	Cash flows from financing activities:		
Net activity from subordinated debt issuance			
Net activity from subordinated debt issuance			

Net activity from subordinated debt issuance					9,699	—
Net purchase of treasury stock	Net purchase of treasury stock	(12,961)	(3,032)	Net purchase of treasury stock	(4,258)	(12,961)
Dividends paid	Dividends paid	(10,926)	(9,679)	Dividends paid	(5,614)	(10,926)
Share based awards and exercises	Share based awards and exercises	754	1,105			
Net cash (used in) provided by financing activities						
		(23,133)	(11,606)			
Share based awards and exercises						
Share based awards and exercises					309	754
Net cash provided by (used in) financing activities				Net cash provided by (used in) financing activities	136	(23,133)
Net change in cash and cash equivalents	Net change in cash and cash equivalents	2,004	2,623	Net change in cash and cash equivalents	(2,240)	2,004
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	2,836	213	Cash and cash equivalents at beginning of period	4,840	2,836
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	\$ 4,840	\$ 2,836	Cash and cash equivalents at end of period	\$ 2,600	\$ 4,840

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of the Corporation's President/Chief Executive Officer and its Chief Financial Officer, evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of **December 31, 2022** **December 31, 2023**. Based on this evaluation, the Corporation's President /Chief Executive Officer and Chief Financial Officer have concluded, as of and for the end of the period covered by this report, that such disclosure controls and procedures were effective.

Design and Evaluation of Internal Control Over Financial Reporting

Pursuant to Section 404 of Sarbanes-Oxley, the following is a report of management's assessment of the design and effectiveness of our internal controls for the fiscal year ended **December 31, 2022** **December 31, 2023**.

Management's Report on Internal Control Over Financial Reporting

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

The Corporation's Management is responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with United States generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles; provide a reasonable assurance that receipts and expenditures of the Corporation are only being made in accordance with authorizations of Management and directors of the Corporation; and provide a reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or

disposition of the Corporation's assets that could have a material effect on the financial statements. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by Management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are noted.

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

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management, including the Corporation's Chief Executive Officer and Chief Financial Officer, assessed the Corporation's system of internal control over financial reporting as of **December 31, 2022** **December 31, 2023**, in relation to the criteria for effective control over financial reporting as described in "Internal Control – Integrated Framework," issued by the

Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on this assessment, Management concludes that, as of **December 31, 2022** **December 31, 2023**, the Corporation's system of internal control over financial reporting is effective.

The 2023 financial statements have been audited by the independent registered public accounting firm of Crowe LLP ("Crowe"). Crowe has also issued a report on the effectiveness of internal control over financial reporting. That report appears in Item 8 of this Form 10-K and is incorporated into this item by reference.

Changes in Internal Control Over Financial Reporting

There was no change in the Corporation's internal control over financial reporting identified during the fourth quarter ended **December 31, 2022** **December 31, 2023** that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 is incorporated by reference to information appearing in Meridian Corporation's definitive proxy statement to be used in connection with the **2023** **2024** Annual Meeting of Shareholders under the headings, "ELECTION OF DIRECTORS," "EXECUTIVE OFFICERS," "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE," "CODE OF ETHICS," "CORPORATE GOVERNANCE," and "AUDIT COMMITTEE."

Item 11. Executive Compensation

The information required by Item 11 is incorporated by reference to the information appearing in Meridian Corporation's definitive proxy statement to be used in connection with the **2023** **2024** Annual Meeting of Shareholders under the headings, "EXECUTIVE COMPENSATION," "SUMMARY COMPENSATION TABLE," "OUTSTANDING AWARDS AT FISCAL YEAR-END TABLE," "EXECUTIVE INCENTIVE, EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS," and "DIRECTOR COMPENSATION."

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

The information required by Item 12 is incorporated by reference to the information appearing in Meridian Corporation's definitive proxy statement to be used in connection with the **2023** **2024** Annual Meeting of Shareholders under the headings, "EQUITY COMPENSATION PLAN INFORMATION" and "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT."

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

The information required by Item 13 is incorporated by reference to the information appearing in Meridian Corporation's definitive proxy statement to be used in connection with the **2023** **2024** Annual Meeting of Shareholders under the headings, "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" and "DIRECTOR INDEPENDENCE."

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated by reference to the information appearing in Meridian Corporation's definitive proxy statement to be used in connection with the **2023** **2024** Annual Meeting of Shareholders under the heading, "PROPOSAL TO RATIFY THE APPOINTMENT OF CROWE LLP AS THE CORPORATION'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, **2023**, **2024**."

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

- Report of Crowe LLP, Independent Registered Public Accounting Firm (PCAOB ID 173)
- Consolidated Balance Sheets
- Consolidated Statements of Income
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Changes in Stockholders' Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

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

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

Exhibit Number	Description
2.1	Plan of Merger and Reorganization dated April 26, 2018 by and between Registrant, Bank and Meridian Interim Bank, filed as Exhibit 2.1 to Form 8-K on August 24, 2018 and incorporated herein by reference.
3.1	Amended Articles of Incorporation of Registrant, filed as Exhibit 3.1 to Form 10-Q on August 16, 2021 and incorporated herein by reference.
3.2	Bylaws of Registrant, filed as Exhibit 3.2 to Form 8-K on August 24, 2018 and incorporated herein by reference.
4.1	Description of Capital Securities, filed herewith
4.2	Indenture, dated as of December 18, 2019, between Meridian Corporation, as Issuer, and U.S. Bank National Association, as Trustee, incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed with the SEC on December 18, 2019.
4.3	Form of 5.375% Subordinated Note due 2029 (included as Exhibit A-1 and Exhibit A-2 to the Indenture incorporated by reference as Exhibit 4.2 hereto), filed with the SEC on December 18, 2019.
10.1	Meridian Bank 2016 Equity Incentive Plan, filed as Exhibit 10.1 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017 and incorporated herein by reference.
10.2	Employment Agreement between Meridian Bank and Christopher Annas, effective April 11, 2019, filed as Exhibit 10.1 to Form 8-K on April 11, 2019 and incorporated herein by reference.
10.3	Amendment to Meridian Corporation Supplemental Executive Retirement and Deferred Compensation Plan, filed as Exhibit 10.1 to Form 8-K on March 12, 2020 and incorporated herein by reference.
10.4	Meridian Bank Employee Stock Ownership Plan, filed as Exhibit 10.4 of the Registration Statement on Form 10, filed with the FDIC on September 29, 2017 and incorporated herein by reference.
10.5	Employment Agreement between Meridian Bank and Denise Lindsay, effective July 23, 2018, filed as Exhibit 10.2, to Form 8-K with the FDIC on July 23, 2018, and incorporated herein by reference.
10.6	Meridian Bank 2004 Stock Option Plan, as amended June 15, 2006 and incorporated herein by reference.
10.7	Change in Control Agreement between Meridian Bank and Joseph Cafarchio, effective July 23, 2018, filed as exhibit 10.1, to Form 8-K with the FDIC on July 23, 2018, and incorporated herein by reference.
10.8	Change in Control Agreement between Meridian Bank and Charlie Kochka, effective July 23, 2018, filed as exhibit 10.1, to Form 8-K with the FDIC on July 23, 2018, and incorporated herein by reference.
21.1	List of Subsidiaries, filed herewith
23.1	Consent of Crowe LLP, Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a)/ 15d-14(a) Certification of the Principal Executive Officer, filed herewith.
31.2	Rule 13a-14(a)/ 15d-14(a) Certification of the Principal Financial Officer, filed herewith.
32	Section 1350 Certifications, filed herewith
97	Policy relating to recovery of erroneously awarded compensation, as required by applicable listing standards adopted pursuant to 17 CFR 240.10D-1
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Definition Document.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).*

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 16, 2023 15, 2024

Meridian Corporation

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Christopher J. Annas Christopher J. Annas	Chairman of the Board	March 16, 2023 15, 2024
/s/ Denise Lindsay Denise Lindsay	Director, Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 16, 2023 15, 2024
/s/ Robert M. Casciato Robert M. Casciato	Director	March 16, 2023 15, 2024
/s/ George C. Collier George C. Collier	Director	March 16, 2023 15, 2024
/s/ Robert T. Holland Robert T. Holland	Director	March 16, 2023 15, 2024
/s/ Edward J. Hollin Edward J. Hollin	Director	March 16, 2023 15, 2024
/s/ Anthony M. Imbesi Anthony M. Imbesi	Director	March 16, 2023 15, 2024
/s/ Christine M. Helmig Christine M. Helmig	Director	March 16, 2023 15, 2024

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Exhibit 4.1

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

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

Authorized Capital

Our Articles of Incorporation authorize us to issue up to 25,000,000 shares of common stock with a par value of \$1.00 per share and 5,000,000 shares of preferred stock with no stated par value. Our board of directors, in its sole discretion, has authority to sell any treasury stock and/or unissued securities, options, warrants, or other rights to purchase any security of the corporation, upon such terms as it deems advisable, including without limitation the division of shares into classes and into series within any class, the determination

of the designation and the number of shares of any class or series and the determination of the voting rights, preferences, limitations and special rights, if any, of the shares of any class or series. Our board of directors could issue preferred stock, or additional shares of common stock, at any time.

Common Stock

Voting

The holders of shares of our common stock have the right to elect our board of directors and to act on such other matters as are required to be presented to them. Each holder of common stock is entitled to one vote per share. The holders of our common stock do not have the right to vote their shares cumulatively in the election of directors only. This means that, for each director position to be elected, a shareholder may only cast a number of votes equal to the number of shares held by the shareholder. Because the articles permit our board of directors to set the voting rights of preferred shares, it is possible that holders of one or more series of preferred shares issued in the future could have voting rights of any sort, which could limit the effect of the voting rights of common shareholders.

Trading

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

Dividends

Our board of directors has the authority to declare dividends on its common and preferred stock, subject to statutory and regulatory requirements. Because a decision by our board of directors to declare and pay cash dividends will depend upon the future financial performance and condition of the Bank and the Registrant, no assurances can be given that dividends will in fact be paid on the common stock, or that, if dividends are paid, they will not be reduced or discounted in the future.

Liquidation Preferences

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

Anti-Takeover Effects

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

Authorized Capital; No Preemptive Rights. The number of authorized common and preferred shares, and the granting of authority to our board of directors to determine the terms of any common or preferred stock or other securities issued, are intended to give our board of directors some flexibility to issue additional securities for proper corporate purposes, including financing, acquisitions, stock dividends, stock splits and employee incentive plans. However, these additional shares could also be used by the board of directors to deter future attempts to gain control over the holding company.

Ownership Limitation. Our Articles of Incorporation provide that, generally, no shareholder may have holdings of shares that exceed 20% of the issued and outstanding shares of common stock. However, this restriction can be waived for any shareholder or shareholders upon the resolution of at least two-thirds of the board of directors. If any shareholder acquires holdings which cause the violation of the restriction (sometimes called a substantial shareholder), the board of directors may terminate all voting rights attributable to the shares owned beneficially by the shareholder during the time that the restriction is being violated, commence litigation to require the divestiture of such amount of the shares so that alter such divestiture the shareholder would no longer be in violation of the restriction contained in Section I of this Article, or take such other action as is appropriate under the circumstances. For purposes of the provision, a shareholder's holdings are: (i) the common stock the shareholder owns of record; (ii) the common stock to which the shareholder has direct or indirect beneficial ownership and (iii) the common stock owned of record or beneficially by other shareholder(s) acting together with the shareholder as a group 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 settlor of a trust of which part of all of the corpus is shares of the common stock of the holding company; and stock dividends. The board's determination of the existence and membership of a shareholder group, of a shareholder's holdings and of the record are conclusive, absent proof of bad faith. This provision of our Articles of Incorporation may not be amended unless approved by the affirmative vote of at least two-thirds of the outstanding shares of common stock.

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

Acquisition Offers. Our Articles of Incorporation provide that our board of directors may, if it deems it advisable, oppose a tender or other offer for the holding company's securities, whether the offer is in cash or in the securities of a corporation or otherwise. When considering whether to oppose an offer, the board of directors may, but is not legally obligated to,

considers any relevant or pertinent issue; by way of illustration, but not of limitation, the board of directors may, but shall not be legally obligated to, consider any or all of the following:

- a. whether the offer price is acceptable based on the historical and present operating results or financial condition of the corporation;
- b. whether a more favorable price could be obtained 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 our Articles of Incorporation may not be amended unless first approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares or common stock of the holding company.

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

Classified Board. Our Bylaws provide for a classified board of directors. A classified board has the effect of moderating the pace of any change in control of the board of directors by extending the time required to elect a majority of the directors to at least two successive annual meetings. However, this extension of time also may tend to discourage a tender offer or takeover bid.

Exhibit 21.1

List of Subsidiaries of Meridian Corporation

The following is a list of subsidiaries of Meridian Corporation, the names under which such subsidiaries do business, and the state or country in which each was organized:

Meridian Bank	Pennsylvania
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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-236906 on Form S-4 of Meridian Corporation and Subsidiaries of our report dated **March 16, 2023** **March 15, 2024** relating to the financial statements and effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

Washington, D.C.
March **16, 2023** **15, 2024**

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

I, Christopher J. Annas, certify that:

1. I have reviewed this Annual Report on Form 10-K of Meridian Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2023 March 15, 2024

/s/ Christopher J. Annas

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

Exhibit 31.2

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

I, Denise Lindsay, certify that:

1. I have reviewed this Annual Report on Form 10-K of Meridian Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2023 March 15, 2024

/s/ Denise Lindsay

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

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Meridian Corporation on Form 10-K for the period ended **December 31, 2022** **December 31, 2023** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Meridian Corporation.

/s/ Christopher J. Annas

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

/s/ Denise Lindsay

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

Date: **March 16, 2023** **March 15, 2024**

**Meridian Corporation
Executive Compensation Recoupment Policy**

The Board of Directors (the "Board") of Meridian Corporation (the "Company") believes it is desirable, and in the best interests of the Company and its shareholders, to maintain and enhance a culture that is focused on integrity, accountability and that discourages conduct detrimental to the Company's risk profile and sustainable growth. Therefore, the Board has adopted the following Compensation Recoupment Policy (the "Policy"), which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws.

1. Introduction

The purpose of this Policy is to enable the Company to recover Erroneously Awarded Compensation from Covered Executive Officers in the event that the Company is required to prepare an Accounting Restatement. This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 promulgated under the Exchange Act ("Rule 10D-1") and Listing Rule 5608 of The Nasdaq Stock Market ("Nasdaq") (the "Listing Standards"). Unless otherwise defined in this Policy, capitalized terms shall have the meaning ascribed to such terms in Section 2.

2. Definitions

As used in this Policy, the following capitalized terms shall have the meanings set forth below. "Accounting Restatement" shall mean an accounting restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (i.e., a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (i.e., a "little r" restatement).

"Accounting Restatement Date" shall mean the earlier to occur of (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

"Applicable Period" shall mean, with respect to any Accounting Restatement, the three completed fiscal years immediately preceding the Accounting Restatement Date, as well as any transition period resulting from a change in the Company's fiscal year within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year).

"Code" shall mean the U.S. Internal Revenue Code of 1986, as amended. Any reference to a section of the Code or regulation thereunder includes such section or regulation, any valid regulation or other official guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.

"Covered Executive Officer" shall mean an individual who is currently or previously served as the Company's principal executive officer, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), vice president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), an officer who performs (or performed) a policy-making function, or any other person who performs (or performed) similar policy-making functions for the Company. For the avoidance of doubt, the definition shall include each individual who is currently or was previously designated as an "officer" of the Company as defined in Rule 16a-1(f) under the Exchange Act and/or each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K. An executive officer of the Company's parent or subsidiary is deemed a "Covered

Executive Officer" if the executive officer performs (or performed) such policymaking functions for the Company.

"Erroneously Awarded Compensation" shall mean, in the event of an Accounting Restatement, the amount of Incentive-Based Compensation previously received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts in such Accounting Restatement, and must be computed without regard to any taxes paid by the relevant Covered Executive Officer. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement: (i) the amount of Erroneously Awarded Compensation must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received and (ii) the Company must maintain such documentation of the determination of that reasonable estimate and provide such documentation as required by Nasdaq.

"Financial Reporting Measure" means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements and all other measures that are derived wholly or in part from such measure. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. A Financial Reporting Measure is not required to be presented within the Company's financial statements or included in a filing with the Securities and Exchange Commission to qualify as a Financial Reporting Measure.

"Incentive-Based Compensation" shall mean any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is deemed "received" for purposes of this Policy in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

3. Recoupment of Incentive-Based Compensation

In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation, in amounts determined pursuant to this Policy and in accordance with rule 10D-1 and the Listing Standards. The Company's obligation to recover Erroneously Awarded Compensation is not dependent on the filing of restated financial statements. In addition, recovery under this Policy with respect to a Covered Executive Officer shall not require the finding of any misconduct by such Covered Executive Officer or such Covered Executive Officer being found responsible for the accounting error leading to an Accounting Restatement. In the event of an Accounting Restatement, the method for recouping Erroneously Awarded Compensation shall be determined by the Administrator (as defined below) in its sole and absolute discretion, subject to the requirements of the Listing Standards and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. In no event, however, may the Administrator agree to accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of a Covered Executive Officer's obligations hereunder.

The Company shall promptly notify the affected Covered Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable. Recovery may include, without limitation: (i) reimbursement of all or a portion of any incentive compensation award; (ii) cancellation of incentive compensation awards; and (iii) any other method authorized by applicable law or contract.

To the extent that a Covered Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company, at the direction of the Administrator, shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Covered Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

The Company is authorized and directed pursuant to this Policy to recover Erroneously Awarded Compensation in compliance with this Policy unless the Administrator (or if the Compensation Committee is not serving as the Administrator, a majority of the independent directors serving on the Board) has determined that recovery would be impracticable solely for the one or more of the following reasons, and subject to the following procedural and disclosure requirements: (a) the direct expenses paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered (provided, however, that before reaching such conclusion, the Administrator must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide such documentation to Nasdaq as required by the Listing Standards); or (b) recovery of such Erroneously Awarded Compensation would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code.

4. Application of this Policy

This Policy applies to all Incentive-Based Compensation received by a person: (a) after beginning service as a Covered Executive Officer; (b) who served as a Covered Executive Officer at any time during the performance period for such Incentive-Based Compensation; (c) while the Company had a listed class of securities on a national securities exchange; and (d) during the Applicable Period. For the avoidance of doubt, Incentive-Based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the relevant Financial Reporting Measure is achieved, even if the Incentive-Based Compensation continues to be subject to the service-based vesting condition.

5. Administration

This Policy shall be administered by the Compensation Committee of the Board (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board). For purposes of this Policy, the body charged with administering this Policy shall be referred to herein as the "Administrator." The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy, in each case, to the extent permitted under the Listing Standards and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. All determinations and decisions made by the Administrator pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company, its affiliates, its shareholders and Covered Executive Officers, and need not be uniform with respect to each person covered by this Policy.

In the administration of this Policy, the Administrator is authorized and directed to consult with the full Board (in the event the Administrator is not the Board) or such other committees of the Board as may be necessary or appropriate as to matters within the scope of such other committee's responsibility and authority. Subject to any limitation under applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee). Any action or inaction by the Administrator with respect to a Covered Executive Officer under this Policy in no way limits the Administrator's decision to act or not to act with respect to any other Covered Executive Officer under this Policy or under any similar policy, agreement or arrangement, nor shall any such action or inaction serve as a waiver of any rights the Company may have against any Covered Executive Officer other than as set forth in this Policy.

6. Prohibition on Indemnification and Insurance Reimbursement

The Company shall not be permitted to insure or indemnify any Covered Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy or (ii) any claims relating to the Company's enforcement of its rights under this Policy. In addition, the Company shall not enter into any agreement that exempts any Incentive-Based Compensation that is granted, paid or awarded to a Covered Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and

this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

7. Disclosure and Filings

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission ("SEC") filings and rules. A copy of this Policy and any amendments hereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.

8. Amendment and Termination

The Board may amend this Policy from time to time in its sole and absolute discretion and shall amend this Policy as it deems necessary to reflect the Listing Standards or to comply with (or maintain an exemption from the application of) Section 409A of the Code. The Board may terminate this Policy at any time; provided, that the termination of this Policy would not cause the Company to violate any federal securities laws, or rules promulgated by the Securities and Exchange Commission or the Listing Standards.

9. Other Recovery Obligations

To the extent that the application of this Policy would provide for recovery of Incentive-Based Compensation that the Company has already recovered pursuant to Section 304 of the Sarbanes-Oxley Act or other recovery obligations, any such amount recovered from a Covered Executive Officer will be credited to any recovery required under this Policy in respect of such Covered Executive Officer.

10. Effective Date of Policy.

This Policy shall be effective as of November 21, 2023 (the "Effective Date"). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executive Officers on or after October 2, 2023, even if such Incentive-Based Compensation was approved, awarded or granted to Covered Executive Officers prior to such date.

11. Covered Executive Officer Acknowledgement

Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with a Covered Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Each Covered Executive Officer shall sign and return to the Company within fifteen (15) calendar days following the later of (i) the Effective Date or (ii) the date such individual becomes a Covered Executive Officer, the Acknowledgement Form attached hereto as Exhibit A, pursuant to which the Covered Executive Officer agrees to be bound by, and to comply with, the terms and conditions of this Policy.

12. Binding Effect

This Policy is binding and enforceable against all Covered Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

13. Miscellaneous

The Board intends that this Policy will be applied to the fullest extent permitted by law. The adoption of this Policy does not mitigate, and is intended to enhance, the effect of any recoupment or similar policies in any equity award agreement, employment agreement or similar agreement in effect prior to the Effective Date. This Policy shall not limit the rights of the Company to take any other actions or pursue other remedies that the Company may deem appropriate under the circumstances and under applicable law, in each case, to the extent permitted under the Listing Standards and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code.

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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