

MIDDLEFIELD BANC CORP.
STATEMENT OF POLICY

TO: All Employees, Officers, and Directors of Middlefield Banc Corp. and subsidiaries

FROM: Donald L. Stacy
Chief Financial Officer

RE: Statement of Policy Concerning Securities Trades By Company Personnel

DATE: February 12, 2018

You must not purchase or sell Middlefield Banc Corp. stock while you are aware of material nonpublic information. You also must not disclose material nonpublic information to others who then trade in Middlefield Banc Corp. stock. Insider trading violations are pursued vigorously by the SEC and by the U.S. Department of Justice. Violations are punished severely. Although regulatory authorities principally prosecute individuals who trade or individuals who tip inside information to others who trade, Federal securities laws also potentially impose liability on companies and so-called “controlling persons” who fail to prevent insider trading by company personnel.

Middlefield Banc Corp.’s board of directors has adopted this updated Statement of Policy both to satisfy Middlefield Banc Corp.’s obligation to prevent insider trading and to help employees, officers, and directors avoid the severe consequences of violating insider trading laws. This Statement of Policy also is intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with Middlefield Banc Corp. or its subsidiaries, including The Middlefield Banking Company. We have worked hard to establish a reputation for integrity and ethical conduct. We can not afford to have that reputation damaged.

The consequences of an insider trading violation can be severe:

Traders and Tippees. employees, officers, and directors who trade on inside information are subject to the following penalties –

- under section 20A of the Securities Exchange Act of 1934, you may be liable to any person who traded contemporaneously with you, with potential liability up to the amount of the profit gained or loss avoided,
- under section 21A of the Securities Exchange Act of 1934, the SEC may also impose a civil penalty of up to three times the profit gained or loss avoided,
- under section 32 of the Securities Exchange Act of 1934, the Department of Justice may seek to impose a fine of up to \$5,000,000, no matter how small the profit, and
- under section 32 of the Securities Exchange Act of 1934, the Department of Justice may seek to impose a prison term of up to 20 years.

People who receive inside information from employees, officers, or directors are known as “tippees.” People who receive inside information as tippees are subject to these penalties if they trade. And the employee, officer, or director who tips information to the person who then trades is also subject to the penalties, even if the employee, officer, or director did not trade and did not profit from the tippee’s trading.

Control Persons. if they fail to take appropriate steps to prevent illegal insider trading, Middlefield Banc Corp. and its supervisory personnel are subject to the following penalties as so-called “control persons” –

- under section 21A of the Securities Exchange Act of 1934, the SEC may also impose a civil penalty of up to \$1,000,000 or, if greater, three times the profit gained or loss avoided as a result of the employee’s, officer’s, or director’s violation, and
- under section 32 of the Securities Exchange Act of 1934, the Department of Justice may seek to impose a fine of up to \$25,000,000.

Company-Imposed Sanctions. an employee's, officer's, or director's failure to comply with this insider trading policy could expose that person to sanctions, including dismissal for cause, regardless of whether the failure to comply actually results in a violation of law. A violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person's reputation and irreparably damage his or her career.

STATEMENT OF POLICY

Do Not Trade on Material Nonpublic Information and Do Not Tip Material Nonpublic Information.

Middlefield Banc Corp.'s policy is that no director, officer, or employee of Middlefield Banc Corp. or its subsidiaries – including The Middlefield Banking Company – who is aware of material nonpublic information relating to Middlefield Banc Corp. or its subsidiaries may –

- 1) buy or sell Middlefield Banc Corp. securities or engage in any other action to take personal advantage of that information, or
- 2) pass that information on to others outside Middlefield Banc Corp. and its subsidiaries. For example, it is a violation of this policy to pass material nonpublic information on to family and friends.

In some cases a pre-approved trading plan complying with SEC Rule 10b5-1 will allow a person to buy or sell Middlefield Banc Corp. securities while in possession of material nonpublic information. SEC Rule 10b5-1 permits a person to implement a written plan to purchase or sell company stock, provided the plan is adopted when the person is not in possession of material nonpublic information.

It is also the policy of Middlefield Banc Corp. that no director, officer, or employee of Middlefield Banc Corp. or its subsidiaries who – in the course of working for Middlefield Banc Corp. or its subsidiaries – learns of material nonpublic information about a company with which Middlefield Banc Corp. or a subsidiary does business, including a customer, borrower, or supplier of Middlefield Banc Corp. or a subsidiary, may trade in that company's securities until the information becomes public or is no longer material.

Transactions that are necessary or justifiable for independent reasons, such as the need to raise money for an emergency expenditure, are *not* excepted from the policy. The securities laws do not make exceptions for these mitigating circumstances. In any case, to preserve Middlefield Banc Corp.'s reputation for adhering to the highest standards of conduct our goal is to avoid even the appearance of an improper transaction.

Selective Disclosure Must Be Avoided. Middlefield Banc Corp. is required by the SEC's Regulation FD to avoid selective disclosure of material nonpublic information. When Middlefield Banc Corp. reveals material information, it does so in a manner that is designed to achieve broad public dissemination of the information immediately. For example, Middlefield Banc Corp. issues press releases to announce quarterly earnings and to announce other important developments. Or Middlefield Banc Corp. might make the information public by filing a report with the SEC. In this way Middlefield Banc Corp. makes sure that everyone has access to the information at the same time. If an employee, officer, or director discloses the information to someone before Middlefield Banc Corp. has the opportunity to issue a press release or make an SEC filing, the person receiving the information would have an unfair advantage over the public at large, undermining Middlefield Banc Corp.'s policy and potentially violating Federal securities laws.

You must not discuss Middlefield Banc Corp. or its business over the internet or in a similar electronic forum. No matter how well intentioned, there is no good that can come out of that. If you ever run across a discussion of Middlefield Banc Corp.'s business in an internet or similar forum, please inform the appropriate officer.

What is Material Information? Material information is any information that a reasonable investor would consider important in his or her decision to buy, hold, or sell securities. Any information that could be expected to affect Middlefield Banc Corp.'s stock price – whether it is positive or negative information – should be considered material. Some examples of information that ordinarily is material are –

- projections of future earnings or losses, or other earnings guidance,
- earnings that are inconsistent with the consensus expectations of the investment community,

- a pending or proposed merger, acquisition, or tender offer,
- a pending or proposed acquisition or disposition of a significant asset,
- a change in dividend policy, the declaration of a stock split, or an offering of additional securities,
- a change in management,
- development of a significant new product or process,
- a significant change in loan losses or a proposed change in loan loss reserves, or
- the existence of liquidity problems.

Your Actions Will Be Judged Using 20/20 Hindsight. Remember, anyone scrutinizing your actions will be doing so after the fact, with the benefit of hindsight. Before engaging in a transaction, you should therefore consider carefully how enforcement authorities or the public at large are likely to perceive the transaction in hindsight.

When Does Nonpublic Information Become Public? If you are aware of material nonpublic information, you must not trade until –

- the information is disclosed broadly to the marketplace, such as by press release or by an SEC filing, and
- the investing public has ample time to absorb the information fully.

In other words, if you trade immediately after nonpublic information is finally disclosed by a press release or by an SEC filing, your trade will violate this policy. This is because the investing public must be given a fair chance to absorb the newly disclosed information. The investing public does not absorb information instantaneously. It takes longer for the investing public to absorb information about a thinly traded stock – such as Middlefield Banc Corp. common stock – than it does for a widely followed and actively traded stock, such as GE or Microsoft or large bank holding companies. As a general rule, you should assume that the investing public will not have time to absorb newly disclosed information until at least two business days elapse after the nonpublic information is finally disclosed by a press release or by an SEC filing. For example, if Middlefield Banc Corp. makes an important announcement by a press release issued on a Monday, you should not trade Middlefield Banc Corp. stock before the following Thursday. If the press release is issued on a Friday, you should not trade before the following Wednesday.

Transactions by Your Family Members Are the Same as Transactions by You under this Policy. This insider trading policy applies not only to you but also to family members who reside with you, anyone else who lives in your household, and any family members who do not live in your household but whose transactions in company securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in company securities. You are responsible for the transactions of these other people. You should therefore make them aware of the need to confer with you before they trade Middlefield Banc Corp. stock.

Transactions Under Company Plans:

Stock Option Exercises. Middlefield Banc Corp.'s insider trading policy does not apply to your exercise of stock options or to your exercise of a tax withholding right whereby you elect to have Middlefield Banc Corp. withhold shares subject to an option to satisfy tax withholding requirements. The policy does apply, however, to any sale of stock as part of a cashless exercise of an option, or other market sale for the purpose of generating the cash needed to pay the option exercise price.

Restricted Stock Awards. Middlefield Banc Corp.'s insider trading policy does not apply to the vesting of restricted stock, or the exercise of a tax withholding right pursuant to which you elect to have Middlefield Banc Corp. withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock. The policy does apply, however, to any market sale of restricted stock.

401(k) Plan. Middlefield Banc Corp.'s insider trading policy does not apply to purchases of Middlefield Banc Corp. stock in a 401(k) plan resulting from your periodic contribution of money by payroll

deduction. The policy does apply, however, to elections you may make under a 401(k) plan, including (a) an election to increase or decrease the percentage of your periodic contributions to be allocated to Middlefield Banc Corp. stock, (b) an election to make an intra-plan transfer of an existing account balance into or out of Middlefield Banc Corp. stock, (c) an election to borrow money against your 401(k) plan account if the loan will result in a liquidation of some or all of your Middlefield Banc Corp. stock balance, and (d) your election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Middlefield Banc Corp. stock balance.

Employee Stock Purchase Plan. This insider trading policy also would not apply to purchases of Middlefield Banc Corp. stock in an employee stock purchase plan resulting from your periodic contribution by an election you made at the time of your enrollment in such a plan. The policy also would not apply to purchases of Middlefield Banc Corp. stock resulting from lump-sum contributions to such a plan, provided that you elected to participate by lump-sum payment at the beginning of the applicable enrollment period. The policy would apply to your election to participate in such a plan for any enrollment period and to your sales of Middlefield Banc Corp. stock purchased under the plan. However, neither Middlefield Banc Corp. nor any of its subsidiaries currently maintains an employee stock purchase plan.

Dividend Reinvestment Plan. This insider trading policy would not apply to purchases of Middlefield Banc Corp. stock under a dividend reinvestment plan resulting solely from reinvestment of dividends. However, the policy would apply to voluntary purchases of Middlefield Banc Corp. stock resulting from additional contributions you choose to make to a dividend reinvestment plan, and to your election to participate in the plan or increase your level of participation. The policy also would apply to your sale of Middlefield Banc Corp. stock purchased under a dividend reinvestment plan.

Additional Prohibited Transactions. Middlefield Banc Corp. considers it improper for a director, officer, or employee of Middlefield Banc Corp. or its subsidiaries to engage in short-term or speculative transactions in Middlefield Banc Corp. stock. It therefore is Middlefield Banc Corp.'s policy that directors, officers, and employees must not engage in hedging or futures transactions or transactions in derivative securities involving Middlefield Banc Corp. stock, excluding transactions under a Middlefield Banc Corp. stock option plan.

Directors, officers, and employees are also discouraged from pledging or hypothecating Middlefield Banc Corp. stock. Securities that are pledged or hypothecated as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale could occur when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Middlefield Banc Corp. stock, directors, officers, and employees should not hold Middlefield Banc Corp. stock in a margin account or pledge the stock as collateral. This policy does not prohibit pledging your Middlefield Banc Corp. stock or holding it in a margin account, but it discourages it.

Post-Termination Transactions. This policy statement continues to apply to you even after you terminate employment. If you are in possession of material nonpublic information when your employment terminates, you may not trade in Middlefield Banc Corp. stock until that information becomes public or is no longer material.

Company Assistance. If you have questions about this policy or its application to any proposed transaction, you may obtain additional guidance from the Chief Financial Officer, whose telephone number is (440) 632-1666. However, the ultimate responsibility for adhering to this policy and avoiding unlawful transactions rests with you.

Certifications. All employees must certify their understanding of and intent to comply with this policy. A copy of the certification that all employees must sign is enclosed with this memorandum. Directors and executive officers are subject to additional restrictions, which are described in a separate memorandum. Directors and executive officers should sign the certification attached to that memorandum instead of the certification accompanying this memorandum.

CERTIFICATION

I CERTIFY THAT:

1. I have read Middlefield Banc Corp.'s Statement of Policy regarding securities trades and I understand the Statement of Policy. I acknowledge that the Chief Financial Officer is available to answer any questions I have about the Statement of Policy.
2. Since January 1, 2016 or such shorter period of time that I have been an employee **or served as a director** of Middlefield Banc Corp. or its subsidiaries I have complied with the Statement of Policy.
3. I will continue to comply with the Statement of Policy for as long as I am subject to it.

SIGNATURE: _____

DATE: _____

PRINT YOUR NAME: _____