



15985 East High Street
P. O. Box 35
Middlefield, Ohio 44062
Phone: 440/632-1666 FAX: 440/632-1700
www.middlefieldbank.com

PRESS RELEASE

Company Contact:

Thomas G. Caldwell
President/Chief Executive Officer
Middlefield Banc Corp.
(440) 632-1666 Ext. 3200
tcaldwell@middlefieldbank.com

Investor and Media Contact:

Andrew M. Berger
Managing Director
SM Berger & Company, Inc.
(216) 464-6400
andrew@smberger.com

Middlefield Banc Corp. Reports 2015 Second Quarter Financial Results

MIDDLEFIELD, OHIO, July 27, 2015 ♦♦♦♦ Middlefield Banc Corp. (NASDAQ: MBCN) today reported financial results for the 2015 second quarter ended June 30, 2015.

2015 Second-Quarter Financial Highlights Include (on a year-over-year basis unless noted):

- Net interest income increased 3.2% to \$6.1 million.
- Noninterest income grew 12.3% to approximately \$1.0 million.
- Noninterest expenses increased 13.5%.
- Net income decreased 6.6% to \$1.5 million, or \$0.73 per diluted share.
- Tangible stockholders' equity increased 10.4%.
- Total net loans increased 9.8%.
- Nonperforming assets declined to \$10.1 million from \$12.9 million.
- Tier 1 capital ratio strengthened to 9.56% from 9.31%.
- Quarterly dividend increased 3.8%.

“We ended the 2015 second quarter with assets over \$700 million for the first time,” stated Thomas G. Caldwell, President and Chief Executive Officer. “We crossed the \$600 million threshold in 2010 and this growth reflects our ability to provide our communities with the financial products and services they need. To this end, we remain committed to investing in our organization. These investments will temporarily impact our net income by increasing our noninterest expenses, but we believe will improve our competitiveness by enhancing our lending resources, information technology services, and back office and call-center support.”

Net income for the 2015 second quarter was \$1.5 million, or \$0.73 per diluted share, compared to net income for the 2014 second quarter of \$1.6 million, or \$0.79 per diluted share. Net income for the six months ended June 30, 2015 was \$3.1 million, or \$1.52 per diluted share, compared to net income for the six months ended June 30, 2014 of \$3.4 million, or \$1.65 per diluted share.

Annualized returns on average equity (“ROE”) and average assets (“ROA”) for the 2015 second quarter were 9.54% and 0.85%, respectively, compared with 11.58% and 0.96% for the 2014 second quarter. ROE and ROA were 9.92% and 0.91%, respectively, for the 2015 six month period, compared with 12.33% and 1.02% for the same period last year.

Mr. Caldwell continued: “Business activities gained momentum as the second quarter progressed and we are starting the third quarter with a solid pipeline of potential loans. Our communities continue to show modest economic expansion and, with a strong market presence, we are well positioned to serve this growth. While our secondary mortgage program started off at a slower rate than we initially thought, we are beginning to see improvements. On May 11, 2015 the Board of Directors increased the quarterly cash dividend by 3.8% to \$0.27 per share, reflecting management and the board’s commitment to return value to shareholders and their optimism about our current and future business trends.”

Income Statement

Net interest income for the 2015 second quarter was \$6.1 million, compared to \$5.9 million for the 2014 second quarter. The 3.2% increase in net interest income for the 2015 second quarter was a result of a reduction in funding costs, primarily due to a 5.9% decline in deposit expenses. For the 2015 first half, net interest income increased 3.3% to \$12.2 million, compared to \$11.8 million for the same period last year. The net interest margin for the 2015 second quarter was 3.83%, compared to 4.04% for the same period of 2014. Year-to-date, the net interest margin was 3.92%, compared to 4.12% for the same period last year.

Noninterest income for the 2015 second quarter increased 12.3% to \$1.0 million, primarily a result of a \$0.1 million gain on the sale of loans reported in the quarter. For the 2015 first half, noninterest income increased 11.8% to \$1.8 million, compared to \$1.6 million for the same period last year.

Noninterest expense for the 2015 second quarter was \$5.2 million, an increase of \$0.6 million from the 2014 second quarter. For the 2015 first half, noninterest expense increased 13.6% to \$10.0 million, compared to \$8.8 million for the same period last year.

“Our asset quality and liquidity continue to improve,” said Donald L. Stacy, Chief Financial Officer. “Nonperforming assets declined further from the prior quarter and the year-over-year period to \$10.1 million. This was the lowest level recorded since 2008. At June 30, 2015, the bank had \$22.7 million in cash and cash equivalents on our balance sheet and our net loans to total deposits were 78.0%. As budgeted, we continued to experience higher operating costs which impacted profitability in the second quarter and year-to-date as we add staff and invest in growth producing initiatives. The investments we made last year to improve the way customers interact with the bank are taking hold as mobile banking is experiencing a high rate of acceptance with our customers. We continued to manage our costs of interest-bearing liabilities, which declined five basis points in the 2015 second quarter compared with the prior year period, which helped offset some of the increase in operating expenses.”

Balance Sheet

Total assets at June 30, 2015 increased 4.1% to a record \$705.5 million, from \$677.5 million at December 31, 2014. Net loans at June 30, 2015 were \$486.5 million, compared to \$463.7 million at December 31, 2014. The 4.9% year-to-date improvement in net loans was a result of loan growth in both residential and commercial mortgages, which have increased 5.2% and 19.6%, respectively year-to-date. This was offset by a 9.6% reduction in commercial and industrial loans, and a 45.1% decline in construction loans.

Total deposits at June 30, 2015 increased 6.4% to \$623.5 million from \$586.1 million at December 31, 2014. The company continues to proactively manage its cost of funds and control deposit growth. The investment portfolio, which is entirely classified as available for sale, stood at \$157.6 million at June 30, 2015, compared to \$154.3 million at December 31, 2014.

Stockholders' Equity and Dividends

Tangible stockholders' equity increased to \$60.2 million for the 2015 second quarter, compared to \$54.5 million at June 30, 2014. On a per share basis, tangible stockholders' equity increased to \$29.16 at June 30, 2015 from \$26.67 for the same period a year ago. The increase is the result of a higher level of retained earnings and accumulated other comprehensive income, which was offset by cash dividends paid to shareholders. Through the first six months of 2015, the company paid cash dividends of \$0.53 per share, which was an increase of 1.9% over the same period last year, and increased its payout ratio to 34.7% from 31.4% for the first half of 2014.

At June 30, 2015, the company had a Tier 1 leverage ratio of 9.56%, up from 9.31% at June 30, 2014.

Asset Quality

There was no provision necessary for loan losses for the 2015 second quarter compared with a \$0.1 million expense for the 2014 second quarter. Nonperforming assets at June 30, 2015 were \$10.1 million, compared to \$12.9 million at June 30, 2014. Net charge-offs for the 2015 second quarter were \$0.1 million, or 0.08% of average loans, annualized compared to less than \$0.1 million, or 0.01% of average loans, annualized for the same period last year. Year-to-date net charge-offs were \$0.6 million, or 0.25% of average loans, annualized compared to \$0.2 million, or 0.1% of average loans, annualized for the same period last year. The allowance for loan losses at June 30, 2015 stood at \$6.3 million, or 1.29% of total loans, compared to \$7.1 million or 1.58% of total loans at June 30, 2014.

The following table provides a summary of asset quality and reserve coverage ratios.

	Asset Quality History (dollars in thousands)				
	6/30/2015	12/31/2014	6/30/2014	12/31/2013	12/31/2012
Nonperforming loans	\$ 7,777	\$ 9,048	\$ 10,506	\$ 12,290	\$ 14,224
Real estate owned	\$ 2,308	\$ 2,590	\$ 2,392	\$ 2,698	\$ 1,846
Nonperforming assets	\$ 10,085	\$ 11,638	\$ 12,898	\$ 14,988	\$ 16,070
Allowance for loan losses	\$ 6,346	\$ 6,846	\$ 7,129	\$ 7,046	\$ 7,779
Ratios:					
Nonperforming loans to total loans	1.58%	1.92%	2.33%	2.82%	3.48%
Nonperforming assets to total assets	1.43%	1.72%	1.93%	2.32%	2.40%
Allowance for loan losses to total loans	1.29%	1.45%	1.58%	1.62%	1.90%
Allowance for loan losses to nonperforming loans	81.60%	75.66%	67.85%	57.33%	54.69%

Middlefield Banc Corp., headquartered in Middlefield, Ohio, is a bank holding company with total assets of \$705.5 million at June 30, 2015. The bank operates 10 full service banking centers and an LPL Financial® brokerage office serving Chardon, Cortland, Dublin, Garrettsville, Mantua, Middlefield, Newbury, Orwell, and Westerville. Additional information is available at www.middlefieldbank.com.

This press release of Middlefield Banc Corp. and the reports Middlefield Banc Corp. files with the Securities and Exchange Commission often contain "forward-looking statements" relating to present or future trends or factors affecting the banking industry and, specifically, the financial operations, markets and products of Middlefield Banc Corp. These forward-looking statements involve certain risks and uncertainties. There are a number of important factors that could cause Middlefield Banc Corp.'s future results to differ materially from historical performance or projected performance. These factors include, but are not limited to: (1) a significant increase in competitive pressures among financial institutions; (2) changes in the interest rate environment that may reduce interest margins; (3) changes in prepayment speeds, charge-offs and loan loss provisions; (4) less favorable than expected general economic conditions; (5) legislative or regulatory changes that may adversely affect businesses in which Middlefield Banc Corp. is engaged; (6) technological issues which may adversely affect Middlefield Banc Corp.'s financial

operations or customers; (7) changes in the securities markets; or (8) risk factors mentioned in the reports and registration statements Middlefield Banc Corp. files with the Securities and Exchange Commission. Middlefield Banc Corp. undertakes no obligation to release revisions to these forward-looking statements or to reflect events or circumstances after the date of this press release.

MIDDLEFIELD BANC CORP.
Consolidated Selected Financial Highlights
June 30, 2015 and 2014
(Dollar amounts in thousands)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
INTEREST INCOME				
Interest and fees on loans	\$ 5,842	\$ 5,575	\$ 11,685	\$ 11,269
Interest-bearing deposits in other institutions	12	9	20	14
Federal funds sold	5	6	8	9
Investment securities				
Taxable interest	379	526	774	1,035
Tax-exempt interest	805	783	1,564	1,538
Dividends on stock	23	20	50	43
Total interest income	<u>7,066</u>	<u>6,919</u>	<u>14,101</u>	<u>13,908</u>
INTEREST EXPENSE				
Deposits	874	929	1,705	1,869
Short term borrowings	33	38	70	73
Other borrowings	23	32	46	64
Trust preferred securities	60	34	52	60
Total interest expense	<u>990</u>	<u>1,033</u>	<u>1,873</u>	<u>2,066</u>
NET INTEREST INCOME	6,076	5,886	12,228	11,842
Provision for loan losses	<u>-</u>	<u>120</u>	<u>105</u>	<u>300</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>6,076</u>	<u>5,766</u>	<u>12,123</u>	<u>11,542</u>
NONINTEREST INCOME				
Service charges on deposits	470	469	911	910
Investment securities gains, net	22	64	46	58
Earnings on bank-owned life insurance	92	68	161	135
Gains on sale of loans	120	-	173	-
Other income	258	256	467	469
Total non-interest income	<u>962</u>	<u>857</u>	<u>1,758</u>	<u>1,572</u>
NONINTEREST EXPENSE				
Salaries and employee benefits	2,560	2,268	4,920	4,284
Occupancy expense	291	275	640	596
Equipment expense	241	194	457	414
Data processing costs	261	224	511	438
Ohio state franchise tax	75	93	150	176
Federal deposit insurance expense	120	97	232	229
Professional fees	277	338	596	625
Loss (gain) on sale of other real estate owned	(40)	75	48	70
Advertising expense	195	124	391	247
Other real estate expense	268	102	333	165
Directors Fees	127	118	245	204
Other operating expense	842	690	1,505	1,379
Total noninterest expense	<u>5,217</u>	<u>4,598</u>	<u>10,028</u>	<u>8,827</u>
Income before income taxes	1,821	2,025	3,853	4,287
Provision for income taxes	316	414	720	913
NET INCOME	<u>\$ 1,505</u>	<u>\$ 1,611</u>	<u>\$ 3,133</u>	<u>\$ 3,374</u>

MIDDLEFIELD BANC CORP.
Consolidated Selected Financial Highlights

June 30, 2015 and 2014 and December 31, 2014

Balance Sheet (period end)	June 30,	December 31,	June 30,
(Dollar amounts in thousands)	2015	2014	2014
	<i>(unaudited)</i>		<i>(unaudited)</i>
Assets			
Cash and due from banks	\$ 20,311	\$ 20,846	\$ 19,821
Federal funds sold	2,340	4,793	5,756
Cash and cash equivalents	22,651	25,639	25,577
Investment securities available for sale	157,577	154,334	165,506
Loans held for sale	398	438	-
Loans:	492,893	470,584	450,119
Less: reserve for loan losses	6,346	6,846	7,129
Net loans	486,547	463,738	442,990
Premises and equipment	10,019	9,980	9,927
Goodwill	4,559	4,559	4,559
Core deposit intangible	96	116	136
Bank-owned life insurance	13,253	9,092	8,951
Other real estate owned	2,308	2,590	2,203
Accrued interest receivable and other assets	8,110	7,045	8,420
Total Assets	\$ 705,518	677,531	668,269
	June 30,	December 31,	June 30,
	2015	2014	2014
Liabilities and Stockholders' Equity			
Noninterest bearing demand deposits	\$ 109,732	\$ 105,512	\$ 96,209
Interest-bearing demand deposits	59,128	56,377	58,366
Money market accounts	73,425	75,895	73,619
Savings deposits	179,353	178,470	178,602
Time deposits	201,886	169,858	181,997
Total Deposits	623,524	586,112	588,793
Short-term borrowings	4,517	14,808	6,939
Other borrowings	10,465	10,624	11,362
Other liabilities	2,200	2,120	2,004
Total Liabilities	640,706	613,664	609,098
Common equity	35,854	35,529	35,266
Retained earnings	34,570	32,524	29,780
Accumulated other comprehensive income	1,122	2,548	859
Treasury stock	(6,734)	(6,734)	(6,734)
Total Stockholders' Equity	64,812	63,867	59,171
Total Liabilities and Stockholders' Equity	\$ 705,518	\$ 677,531	\$ 668,269

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Per common share data				
Net income per common share - basic	\$ 0.73	\$ 0.79	\$ 1.52	\$ 1.66
Net income per common share - diluted	\$ 0.73	\$ 0.79	\$ 1.52	\$ 1.65
Dividends declared	\$ 0.27	\$ 0.26	\$ 0.53	\$ 0.52
Book value per share (period end)	\$ 31.42	\$ 28.97	\$ 31.42	\$ 28.97
Tangible book value per share (period end)	\$ 29.16	\$ 26.67	\$ 29.16	\$ 26.67
Dividend payout ratio	36.74%	32.90%	34.70%	31.39%
Average shares outstanding - basic	2,058,986	2,038,026	2,056,338	2,036,025
Average shares outstanding - diluted	2,068,351	2,044,564	2,065,947	2,042,181
Period ending shares outstanding	2,062,649	2,042,753	2,062,649	2,042,753
Selected ratios				
Return on average assets	0.85%	0.96%	0.91%	1.02%
Return on average equity	9.54%	11.58%	9.92%	12.33%
Yield on earning assets	4.41%	4.45%	4.48%	4.79%
Cost of interest bearing-liabilities	0.75%	0.80%	0.72%	0.81%
Net interest spread	3.66%	3.65%	3.76%	3.99%
Net interest margin	3.83%	4.04%	3.92%	4.12%
Efficiency	70.00%	64.34%	67.79%	62.13%
Tier 1 capital to average assets ^(a)	9.56%	9.31%	9.56%	9.31%

(a) June 30, 2015 is estimated

	June 30, 2015	June 30, 2014
Commercial and industrial	\$ 54,927	\$ 55,577
Real estate - construction	16,647	26,615
Real estate - mortgage:		
Residential	239,492	219,229
Commercial	176,376	142,505
Consumer installment	5,451	6,193
	<u>492,893</u>	<u>450,119</u>

	June 30, 2015	June 30, 2014
Asset quality data		
<i>(Dollar amounts in thousands)</i>		
Non-accrual loans	\$ 5,780	\$ 8,646
Troubled debt restructuring	1,997	1,743
90 day past due and accruing	-	117
Nonperforming loans	7,777	10,506
Other real estate owned	2,308	2,392
Nonperforming assets	<u>\$ 10,085</u>	<u>\$ 12,898</u>

Allowance for loan and lease losses	\$ 6,346	\$ 7,129
Allowance for loan and lease losses/total loans	1.29%	1.58%
Net charge-offs:		
Quarter-to-date	101	6
Year-to-date	605	217
Net charge-offs to average loans, annualized		
Quarter-to-date	0.08%	0.01%
Year-to-date	0.25%	0.10%
Nonperforming loans/total loans	1.58%	2.33%
Allowance for loan and lease losses/nonperforming loans	81.60%	67.85%