

MIDDLEFIELD BANC CORP

Form 10-Q

May 15, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20552
FORM 10 - Q

QUARTERLY REPORT UNDER SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2007

Commission File Number 33-23094

Middlefield Banc Corp.

(Exact name of registrant as specified in its charter)

Ohio

34 - 1585111

(State or other jurisdiction of incorporation
or organization)

(IRS Employer Identification No.)

15985 East High Street, Middlefield, Ohio 44062-9263

(Address of principal executive offices)

(440) 632-1666

(Registrant's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or 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 is an accelerated filer (as defined in Rule 12-b2 of the Act) YES NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date:

Class: Common Stock, without par value

Outstanding at May 10, 2007: 1,522,691

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SIGNATURES

MIDDLEFIELD BANC CORP.
CONSOLIDATED BALANCE SHEET

| | March 31, 2007 | December 31 2006 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Cash and due from banks | \$ 6,811,047 | \$ 6,893,148 |
| Federal funds sold | 8,200,000 | 6,200,000 |
| Interest-bearing deposits in other institutions | 552,487 | 546,454 |
| | | |
| Cash and cash equivalents | 15,563,534 | 13,639,602 |
| Investment securities available for sale | 70,619,693 | 63,048,135 |
| Investment securities held to maturity (estimated market value of \$127,663 and \$134,306) | 119,899 | 125,853 |
| Loans | 254,776,398 | 249,190,534 |
| Less allowance for loan losses | 2,787,810 | 2,848,887 |
| | | |
| Net loans | 251,988,588 | 246,341,647 |
| Premises and equipment | 6,688,641 | 6,742,465 |
| Bank-owned life insurance | 6,944,822 | 6,872,743 |
| Accrued interest and other assets | 5,278,668 | 4,081,259 |
| | | |
| TOTAL ASSETS | \$ 357,203,845 | \$ 340,851,704 |
| | | |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing demand | \$ 39,375,477 | \$ 41,002,573 |
| Interest-bearing demand | 13,241,825 | 11,724,173 |
| Money market | 26,306,872 | 14,738,767 |
| Savings | 53,622,139 | 54,246,499 |
| Time | 154,979,513 | 149,338,181 |
| | | |
| Total deposits | 287,525,826 | 271,050,193 |
| Short-term borrowings | 2,265,357 | 1,609,738 |
| Other borrowings | 34,793,179 | 36,112,738 |
| Accrued interest and other liabilities | 1,499,115 | 1,615,101 |
| | | |
| TOTAL LIABILITIES | 326,083,477 | 310,387,770 |
| | | |
| STOCKHOLDERS EQUITY | | |
| Common stock, no par value; 10,000,000 shares authorized, 1,525,324 and 1,519,887 shares issued | 19,712,463 | 19,507,257 |
| Retained earnings | 15,108,995 | 14,685,971 |
| Accumulated other comprehensive income | (492,783) | (520,987) |
| Treasury stock, at cost; 95,080 shares in 2007 and in 2006 | (3,208,307) | (3,208,307) |

| | | |
|---|----------------|----------------|
| TOTAL STOCKHOLDERS EQUITY | 31,120,368 | 30,463,934 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | \$ 357,203,845 | \$ 340,851,704 |

See accompanying unaudited notes to the consolidated financial statements.

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MIDDLEFIELD BANC CORP.
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|------------------|
| | 2007 | 2006 |
| INTEREST INCOME | | |
| Interest and fees on loans | \$ 4,530,229 | \$ 3,985,618 |
| Interest-bearing deposits in other institutions | 55,889 | 3,121 |
| Federal funds sold | 131,235 | 3,579 |
| Investment securities: | | |
| Taxable interest | 266,114 | 305,970 |
| Tax-exempt interest | 382,785 | 245,151 |
| Dividends on FHLB stock | 25,495 | 17,197 |
| Total interest income | 5,391,747 | 4,560,636 |
| INTEREST EXPENSE | | |
| Deposits | 2,314,671 | 1,540,862 |
| Short-term borrowings | 152,292 | 60,823 |
| Other borrowings | 312,335 | 272,974 |
| Total interest expense | 2,779,298 | 1,874,659 |
| NET INTEREST INCOME | 2,612,449 | 2,685,977 |
| Provision for loan losses | 45,000 | 75,000 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 2,567,449 | 2,610,977 |
| NONINTEREST INCOME | | |
| Service charges on deposit accounts | 451,947 | 412,842 |
| Investment securities losses, net | | (5,868) |
| Earnings on bank-owned life insurance | 72,079 | 53,222 |
| Other income | 97,602 | 90,130 |
| Total noninterest income | 621,628 | 550,326 |
| NONINTEREST EXPENSE | | |
| Salaries and employee benefits | 1,104,908 | 994,944 |
| Occupancy expense | 169,230 | 154,303 |
| Equipment expense | 121,791 | 92,213 |
| Data processing costs | 151,248 | 178,507 |
| Ohio state franchise tax | 96,000 | 90,000 |
| Other expense | 630,525 | 525,764 |

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| | | |
|--|------------|------------|
| Total noninterest expense | 2,273,702 | 2,035,731 |
| Income before income taxes | 915,375 | 1,125,572 |
| Income taxes | 163,000 | 308,000 |
| NET INCOME | \$ 752,375 | \$ 817,572 |
| EARNINGS PER SHARE | | |
| Basic | \$ 0.53 | \$ 0.58 |
| Diluted | 0.52 | 0.57 |
| DIVIDENDS DECLARED PER SHARE | \$ 0.240 | \$ 0.224 |
| See accompanying unaudited notes to the consolidated financial statements. | | |

MIDDLEFIELD BANC CORP.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY
(Unaudited)

| | Common Stock | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Total Stockholders Equity | Comprehensive Income |
|--|-----------------|----------------------|---|-------------------|---------------------------------|-------------------------|
| Balance, December 31, 2006 | \$ 19,507,257 | \$ 14,685,971 | \$ (520,987) | \$ (3,208,307) | \$ 30,463,934 | |
| Net income | | 752,375 | | | 752,375 | \$ 752,375 |
| Other comprehensive income: | | | | | | |
| Unrealized loss on available for sale securities net of tax benefit of \$14,529 | | | 28,204 | | 28,204 | 28,204 |
| Comprehensive income | | | | | | \$ 780,579 |
| Common stock issued | 118,521 | | | | 118,521 | |
| Dividend reinvestment plan | 86,685 | | | | 86,685 | |
| Cash dividends (\$0.24 per share) | | (329,351) | | | (329,351) | |
| Balance, March 31, 2007 | \$ 19,712,463 | \$ 15,108,995 | \$ (492,783) | \$ (3,208,307) | \$ 31,120,368 | |

See accompanying unaudited notes to the consolidated financial statements.

MIDDLEFIELD BANC CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

| | Three Months Ended | |
|---|--------------------|-------------------|
| | March 31, 2007 | March 31, 2006 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 752,375 | \$ 817,572 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 45,000 | 75,000 |
| Investment securities losses, net | | 5,868 |
| Depreciation and amortization | 114,947 | 107,991 |
| Amortization of premium and discount on investment securities | 54,805 | 60,799 |
| Amortization of deferred loan costs (fees) | (4,436) | (12,178) |
| Earnings on bank-owned life insurance | (72,079) | (53,222) |
| Deferred income taxes | 244,251 | |
| Increase in accrued interest receivable | (454,521) | (217,479) |
| Increase in accrued interest payable | 112,025 | 14,731 |
| Other, net | (1,206,979) | (93,754) |
| Net cash provided by operating activities | (414,612) | 705,328 |
| INVESTING ACTIVITIES | | |
| Investment securities available for sale: | | |
| Proceeds from repayments and maturities | 1,200,126 | 1,262,100 |
| Proceeds from sale of securities | | 664,838 |
| Purchases | (8,783,756) | (100,818) |
| Investment securities held to maturity: | | |
| Proceeds from repayments and maturities | 5,954 | 5,643 |
| Increase in loans, net | (5,687,505) | (1,743,772) |
| Purchase of Federal Home Loan Bank stock | (22,700) | (20,400) |
| Purchase of bank-owned life insurance | | (1,000,000) |
| Purchase of premises and equipment | (61,123) | (71,337) |
| Net cash used for investing activities | (13,349,004) | (1,003,746) |
| FINANCING ACTIVITIES | | |
| Net increase in deposits | 16,475,633 | 4,818,208 |
| Decrease in short-term borrowings, net | 655,619 | (2,592,206) |
| Repayment of other borrowings | (1,319,559) | (1,344,701) |
| Purchase of Treasury Stock | | (55,801) |
| Common stock issued | 118,521 | 158,880 |
| Proceeds from dividend reinvestment plan | 86,685 | 68,169 |
| Cash dividends | (329,351) | (316,624) |

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| | | |
|--|---------------|--------------|
| Net cash provided by financing activities | 15,687,548 | 735,925 |
| Increase in cash and cash equivalents | 1,923,932 | 437,507 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 13,639,602 | 5,821,164 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 15,563,534 | \$ 6,258,671 |

SUPPLEMENTAL INFORMATION

Cash paid during the year for:

| | | |
|-------------------------------------|--------------|--------------|
| Interest on deposits and borrowings | \$ 2,667,274 | \$ 1,859,928 |
| Income taxes | 450,000 | 50,000 |

See accompanying notes to unaudited consolidated financial statements.

MIDDLEFIELD BANC CORP.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BASIS OF PRESENTATION

The consolidated financial statements of Middlefield Banc Corp. (Middlefield) includes its wholly owned subsidiary, The Middlefield Banking Company (the Bank). All significant inter-company items have been eliminated.

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles and the instructions for Form 10-Q and Article 10 of Regulation S-X. In Management 's opinion, the financial statements include all adjustments, consisting of normal recurring adjustments, that Middlefield considers necessary to fairly state Middlefield 's financial position and the results of operations and cash flows. The balance sheet at December 31, 2006, has been derived from the audited financial statements at that date but does not include all of the necessary informational disclosures and footnotes as required by U. S. generally accepted accounting principles. The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included with Middlefield 's Form 10-K (File No. 33-23094). The results of Middlefield 's operations for any interim period are not necessarily indicative of the results of Middlefield 's operations for any other interim period or for a full fiscal year.

Recent Accounting Pronouncements

In September 2006, the FASB issued FAS No. 157, *Fair Value Measurements*, which provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value. The Standard does not expand the use of fair value in any new circumstances. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Company 's results of operations or financial position.

In February 2007, the FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*, which provides all entities with an option to report selected financial assets and liabilities at fair value. The objective of the FAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in earnings caused by measuring related assets and liabilities differently without having to apply the complex provisions of hedge accounting. FAS No. 159 is effective as of the beginning of an entity 's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007 provided the entity also elects to apply the provisions of FAS No. 157, *Fair Value Measurements*. The adoption of this standard is not expected to have a material effect on the Company 's results of operations or financial position.

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 is an interpretation of FAS No. 109, *Accounting for Income Taxes*, and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN No. 48 requires expanded disclosure with respect to the uncertainty in income taxes and is effective for fiscal years beginning after December 15, 2006. The Company has determined the adoption of this standard did not have a material effect on the Company 's results of operation.

In September 2006, the FASB reached consensus on the guidance provided by Emerging Issues Task Force Issue 06-4 (EITF 06-4), *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*. The guidance is applicable to endorsement split-dollar life insurance arrangements, whereby the employer owns and controls the insurance policy, that are associated with a postretirement benefit. EITF 06-4 requires that for a split-dollar life insurance arrangement within the scope of the Issue, an employer should recognize a liability for future benefits in accordance with FAS No. 106 (if, in substance, a postretirement benefit plan exists) or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract) based

on the substantive agreement with the employee. EITF 06-4 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact the adoption of the EITF will have on the Company's results of operations or financial condition.

In March 2007, the FASB ratified Emerging Issues Task Force Issue No. 06-10 (EITF 06-10), *Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements*. EITF 06-10 provides guidance for determining a liability for the postretirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact the adoption of the EITF will have on the Company's results of operations or financial condition.

NOTE 2 STOCK-BASED COMPENSATION

As of March 31, 2007, there was no unrecognized compensation cost related to unvested share-based compensation awards granted.

Stock option activity during the three months ended March 31, 2007 is as follows:

| | 2007 | Weighted- average Exercise Price |
|------------------------|--------|---|
| Outstanding, January 1 | 73,607 | \$ 27.54 |
| Granted | | |
| Exercised | (538) | 26.36 |
| Forfeited | | |
| Outstanding, March 31 | 73,069 | \$ 27.55 |

NOTE 3 EARNINGS PER SHARE

Middlefield provides dual presentation of Basic and Diluted earnings per share. Basic earnings per share utilize net income as reported as the numerator and the actual average shares outstanding as the denominator. Diluted earnings per share include any dilutive effects of options, warrants, and convertible securities.

There are no convertible securities that would affect the numerator in calculating basic and diluted earnings per share; therefore, net income as presented on the Consolidated Statement of Income (Unaudited) will be used as the numerator. The following tables set forth the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation.

| | For the Three Months Ended March 31, | |
|--|--|-----------|
| | 2007 | 2006 |
| Weighted average common shares outstanding | 1,521,191 | 1,508,653 |
| Average treasury stock shares | (95,080) | (89,348) |
| Weighted average common shares and common stock equivalents used to calculate basic earnings per share | 1,426,111 | 1,419,305 |
| Additional common stock equivalents (stock options) used to calculate diluted earnings per share | 21,424 | 21,467 |
| Weighted average common shares and common stock equivalents used to calculate diluted earnings per share | 1,447,534 | 1,440,772 |

NOTE 4 COMPREHENSIVE INCOME

The components of comprehensive income consist exclusively of unrealized gains and losses on available for sale securities. For the three months ended March 31, 2007, this activity is shown under the heading Comprehensive Income as presented in the Consolidated Statement of Changes in Stockholders' Equity (Unaudited). For the three months ended March 31, 2006, comprehensive income totaled \$780,579.

The following shows the components and activity of comprehensive income during the periods ended March 31, 2007 and 2006 (net of the income tax effect):

| | For the Three Months Ended March 31, | |
|--|---|-----------|
| | 2007 | 2006 |
| Unrealized holding losses arising during the period on securities held | 28,204 | (66,104) |
| Reclassification adjustment for gains included in net income | | (3,873) |
| Net change in unrealized losses during the period | 28,204 | (69,977) |
| Unrealized holding (losses) gains, beginning of period | (520,987) | (677,088) |
| Unrealized holding losses, end of period | (492,783) | (747,065) |
| Net income | 752,375 | 817,572 |
| Other comprehensive income, net of tax: | | |
| Unrealized holding losses arising during the period | 28,204 | (69,977) |
| Comprehensive income | 780,579 | 747,595 |

NOTE 5 SUBSEQUENT EVENTS

On November 15, 2006 Middlefield Banc Corp. entered into an Agreement and Plan of Merger for the acquisition of Emerald Bank, an Ohio-chartered savings bank headquartered in Dublin, Ohio. Middlefield Banc Corp. organized an interim bank subsidiary under Ohio commercial bank law to carry out the merger with Emerald Bank. The Agreement and Plan of Merger was amended on January 3, 2007 to make the new interim bank subsidiary, known as EB Interim Bank, a party to the agreement. At the effective time of the merger Emerald Bank merged into the new interim subsidiary, which will be the surviving corporation and which will thereafter operate under the name Emerald Bank as a wholly owned commercial bank subsidiary of Middlefield Banc Corp. The purchase price for Emerald Bank totaled \$7,326,890 with one half of the merger consideration payable in cash and the other half in shares of Middlefield Banc Corp. common stock. The merger was approved by both bank regulators and Emerald Bank stockholders. The transaction was completed on April 19, 2007. Emerald Bank will operate as a separate banking subsidiary of Middlefield under the Emerald Bank name, employing a commercial bank charter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Forward Looking Statements

When used in this Form 10-Q, or in future filings with the Securities and Exchange Commission, in press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project", or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Corporation's actual results to be materially different from those indicated. Such statements are subject to certain risks and uncertainties including changes in economic conditions in the market areas the Corporation conducts business, which could materially impact credit quality trends, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the market areas the Corporation conducts business, and competition, that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Corporation wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Corporation undertakes no obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

CHANGES IN FINANCIAL CONDITION

General. The Company's total assets ended the March 31, 2007 quarter at \$357.2 million an increase of \$16.4 million or 4.8% from end of year December 31, 2006. Investment securities available for sale, loans receivable, cash and cash equivalents and accrued interest and other assets increased \$7.6 million, \$5.7 million, \$1.9 million and \$1.2 million, respectively. The increase in total assets reflected a corresponding increase in total liabilities of \$15.7 million or 5.1% and an increase in stockholders' equity of \$656,000 or 2.2%. The increase in total liabilities was primarily the result of increased deposits of \$16.5 million, partially offset by decreases to other borrowing and accrued interest and other liabilities of \$1.3 million, and \$116,000, respectively. The increase in stockholders' equity was the result of increases in retained earnings and common stock of \$423,000 and \$205,000, respectively.

Cash on hand and due from banks. Cash on hand and due from banks represent cash equivalents. Cash equivalents increased a combined \$1.9 million or 14.1% to \$15.6 million at March 31, 2007 from \$13.6 million at December 31, 2006. Deposits from customers into savings and checking accounts, loan and security repayments and proceeds from borrowed funds typically increase these accounts. Decreases result from customer withdrawals, new loan originations, purchase of bank-owned life insurance, security purchases and repayments of borrowed funds. The increase for the quarter ended March 31, 2006 can principally be attributed to increases in deposits.

Investment securities. Investment securities available for sale ended the March 31, 2007 quarter at \$70.6 million an increase of \$7.6 million or 12.0% from \$63.1 million at December 31, 2006. During the quarter ended March 31, 2006 the Company recorded purchases of available for sale securities of \$8.8 million, consisting of purchases municipal bonds. Offsetting the purchases of securities were repayments and maturities of securities of \$1.2 million during the three months ended March 31, 2007. In addition, the securities portfolio increased approximately \$43,000 due to an increase in the market value. These fair value adjustments represent temporary fluctuations resulting from changes in market rates in relation to average yields in the available for sale portfolio. If securities are held to their respective maturity dates, no fair value gain or loss is realized.

Loans receivable. The loans receivable category consists primarily of single family mortgage loans used to purchase or refinance personal residences located within the Company's market area and commercial real estate loans used to finance properties that are used in the borrowers businesses or to finance investor-owned rental properties, and to a lesser extent commercial and consumer loans. Loans receivable increased \$5.6 million or 2.2% to \$254.8 million at March 31, 2007 from \$249.2 million at December 31, 2006. The growth in the loan portfolio during the three months ended March 31, 2007, included increases in commercial loans of \$4.7 million or 6.1%, mortgage loans of \$572,000 or .4%, as well as home equity loans of \$381,000 or 6.1%. This increase was partially offset with a decline of \$83,000 or 1.5% in the consumer loan portfolio.

Non-performing loans. Non-performing loans included non-accrual loans, renegotiated loans, loans 90 days or more past due, other real estate loans, and repossessed assets. A loan is classified as non-accrual when, in the opinion of management, there are serious doubts about collectibility of interest and principal. At the time the accrual of interest is discontinued, future income is recognized only when cash is received. Renegotiated loans are those loans which terms have been renegotiated to provide a reduction or deferral of principal or interest as a result of the deterioration of the borrower. Non-performing loans amounted to \$1.7 million or 0.67% and \$1.3 million or 0.54% of total loans at March 31, 2007 and December 31, 2006, respectively. The level of non-performing loans increased slightly since the end of 2006 yet remains stable in comparison to the bank's historical levels.

Deposits. The Company considers various sources when evaluating funding needs, including but not limited to deposits, which are a significant source of funds totaling \$287.5 million or 88.6% of the Company's total funding sources at March 31, 2007. Total deposits increased \$16.5 million or 6.1% to \$287.5 million at March 31, 2007 from \$271.0 million at December 31, 2006. The increase in deposits is primarily related to the growth of the company's money market product which totaled \$26.3 million at March 31, 2007 an increase of \$11.6 million or 78.5% for the year. Certificates of deposit and interest-bearing demand accounts increased \$5.6 million and \$1.5 million respectively, while non-interest-bearing demand deposit and savings accounts declined \$1.6 million and \$624,000, respectively, during the three months ended March 31, 2007.

Borrowed funds. The Company utilizes short and long-term borrowings as another source of funding used for asset growth and liquidity needs. These borrowings primarily include FHLB advances, junior subordinated debt and repurchase agreements. Borrowed funds declined \$664,000 or 1.9% to \$37.1 million at March 31, 2007 from \$37.7 million at December 31, 2006. FHLB advances decreased \$1.3 million or 3.7% while short-term borrowings increased \$656,000 or 40.7%. The decline in FHLB advances was the result of the increase in the Company's deposits.

Stockholders equity. Stockholders' equity increased \$656,000 or 2.2% to \$31.1 million at March 31, 2007 from \$30.5 million at December 31, 2006. The increase in stockholders' equity was the result of increases in common stock, accumulated other comprehensive income and retained earnings of \$205,000, \$28,000 and \$423,000 respectively. The increase in common stock was due in part to activity of the dividend reinvestment program of \$192,000 along with purchases of stock options totaling \$14,000 for the quarter. The increase in stock due to the dividend reinvestment program was made up of optional cash payments totaling \$105,000 along with \$87,000 of reinvested dividends. The decrease of accumulated other comprehensive loss was the result of an increase in the mark to market of the Company's securities available for sale portfolio.

RESULTS OF OPERATIONS

General. The Company recorded net income of \$752,000 for the three months ended March 31, 2007, as compared to net

income of \$818,000 for the same period in the prior year. The \$65,000 or 8.0% decline in net income for the three months ended March 31, 2007, as compared to the three months ended March 31, 2006, was primarily attributable to a decrease in net interest income and non-interest expense of \$74,000 and \$238,000, respectively. These items were partially offset with an increase in non-interest income of \$71,000 a net change in the provision for loan losses of \$30,000 and a decline in the provision for income tax of \$145,000.

Net interest income. Net interest income, the primary source of revenue growth for the Company, is defined as the difference between income on earning assets and the cost of funds supporting those assets. The level of interest rates and changes in the amount and composition of interest earning assets and liabilities affect the Company's net interest income. Net interest income declined by \$74,000 or 2.7% to \$2.6 million for the three months ended March 31, 2007, compared to \$2.7 million for the same period in the prior year. The decline in net interest income can be attributed to an increase in interest expense of \$905,000 partially offset by an increase in interest income of \$831,000 during a period of stagnant interest rates. The increase in interest expense resulted in a growth in the cost of funds of 100 basis points to 4.07% for the quarter ended March 31, 2007, compared to 3.07% for the same period in the prior year. This increase in the cost of funds negatively impacted net interest income but was partially offset by an increase in the yield on interest earning assets of 40 basis points to 6.89% for the quarter ended March 31, 2006, compared to 6.49% for the same period in the prior year.

Interest income. Interest income increased \$831,000 or 18.2% to \$5.4 million for the three months ended March 31, 2007, compared to \$4.6 million for the same period in the prior year. This increase can be attributed to interest and fees on loans which was \$545,000 higher than the same period in 2006.

Interest and fees on loans increased \$545,000 or 13.7% to \$4.5 million for the quarter ended March 31, 2007, compared to \$4.0 million for the same period in the prior year. This increase was attributable to an increase in the average balance of loans receivable of \$18.6 million or 8.0% to \$252.3 million for the three months ended March 31, 2007, as compared to \$233.7 million for the same period in the prior year.

Interest earned on securities increased \$98,000 or 17.7% to \$649,000 for the three months ended March 31, 2007, compared to \$551,000 for the same period in the prior year. This increase in earnings was the result of both an increase in market rate as well as a \$7.9 million increase in the average balance.

Interest expense. Interest expense increased \$905,000 or 48.3% to \$2.8 million for the three months ended March 31, 2007, compared to \$1.9 million for the same period in the prior year. This increase in interest expense can be primarily attributed to increases in interest incurred on deposits and short-term borrowings of \$774,000 and \$91,000, respectively.

Interest incurred on deposits increased \$774,000 or 50.2.0% to \$2.3 million for the three months ended March 31, 2007, compared to \$1.5 million for the same period in the prior year. This increase was primarily attributable to an increase in the average balance of deposits of \$27.8 million to \$240.0 million for the three months ended March 31, 2007 from \$212.2 million for the same period in the prior year.

Interest incurred on borrowed funds increased \$131,000 or 39.2% to \$465,000 for the three months ended March 31, 2007, compared to \$334,000 million for the same period in the prior year. The increase was primarily attributable to an increase in the average cost of borrowed funds of 5.07% a 126 basis point increase for the three months ended March 31, 2007, compared to 3.81% for the same period in the prior year.

Provision for loan losses. The provision for loan losses for the quarter ended March 31, 2007 is the result of normal operations for the quarter. In determining the appropriate level of allowance for loan losses, management considers historical loss experience, the financial condition of borrowers, economic conditions (particularly as they relate to markets where the Company originates loans), the status of non-performing assets, the estimated underlying value of the collateral and other factors related to the collectability of the loan portfolio. The Company's total allowance for losses on loans at March 31, 2007 and December 31, 2006 amounted to \$2.8 million or 1.09% and \$2.9 million or 1.14%, respectively, of the Company's total loan portfolio. The Company's allowance for losses on loans as a percentage of non-performing loans was 163.0% and 213.1% at March 31, 2007 and December 31, 2006, respectively.

Non-interest income. Non-interest income increased \$71,000 or 13.0% to \$622,000 for the three months ended March 31, 2007, compared to \$550,000 for the same period in the prior year. This increase can be attributed primarily to increases in fees and service charges and earnings on bank-owned life insurance of \$39,000 and \$19,000,

respectively.

Fees and service charges increased \$39,000 or 9.5% to \$452,000 for the three months ended March 31, 2007, compared to \$413,000 for the same period in the prior year. The increase to fees generated from checking accounts is a result of the continued growth in fees from overdraft services.

Non-interest expense. Non-interest expense increased \$238,000 or 11.7% to \$2.3 million for the three months ended March 31, 2007, from \$2.0 million for the same period in the prior year. This increase was the result of increases in salaries and employee benefits, other expense and equipment expense of \$110,000, \$105,000 and \$30,000, respectively. The leading factor in the increased expenses were employee and equipment costs associated with the addition of a full service branch located in Newberry Ohio as well as a loan production office in the Cortland Ohio market.

Provision for income taxes. The Company recognized \$163,000 in income tax expense, which reflected an effective tax rate of 17.8% for the three months, ended March 31, 2007, as compared to \$308,000 with an effective tax rate of 27.4% for the respective 2006 period.

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates involving the more significant judgments and assumptions used in the preparation of the consolidated financial statements as of March 31, 2007, have remained unchanged from December 31, 2006.

Average Balance Sheet and Yield/Rate Analysis. The following table sets forth, for the periods indicated, information concerning the total dollar amounts of interest income from interest-earning assets and the resultant average yields, the total dollar amounts of interest expense on interest-bearing liabilities and the resultant average costs, net interest income, interest rate spread and the net interest margin earned on average interest-earning assets. For purposes of this table, average balances are calculated using monthly averages and the average loan balances include non-accrual loans and exclude the allowance for loan losses, and interest income includes accretion of net deferred loan fees. Yields on tax-exempt securities (tax-exempt for federal income tax purposes) are shown on a fully tax equivalent basis utilizing a federal tax rate of 34%. Yields and rates have been calculated on an annualized basis utilizing monthly interest amounts.

| | For the Three Months Ended March 31, | | | | | |
|--|--------------------------------------|------------------------|------------|------------|------------------------|------------|
| | 2007 | | | 2006 | | |
| | Average | (4) | Average | Average | (4) | Average |
| | Balance | Interest | Yield/Cost | Balance | Interest | Yield/Cost |
| | | (1) | (2) | | (1) | (2) |
| | | (Dollars in thousands) | | | (Dollars in thousands) | |
| Interest-earning assets: | | | | | | |
| Loans receivable | 252,303 | \$ 4,530 | 7.28% | 233,710 | \$ 3,986 | 6.92% |
| Investments securities | 65,419 | 705 | 5.59% | 57,509 | 551 | 4.78% |
| Interest-bearing deposits with other banks | 11,053 | 156 | 5.72% | 1,805 | 24 | 5.39% |
| Total interest-earning assets | 328,775 | 5,391 | 6.89% | 293,024 | 4,561 | 6.49% |
| Noninterest-earning assets | 19,842 | | | 17,132 | | |
| Total assets | \$ 348,617 | | | \$ 310,156 | | |
| Interest-bearing liabilities: | | | | | | |
| Interest bearing demand deposits | \$ 12,062 | 69 | 2.32% | \$ 10,287 | 29 | 1.14% |

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| | | | | | | |
|--|------------|----------|---------|------------|----------|---------|
| Money market deposits | 22,975 | 256 | 4.52% | 13,286 | 78 | 2.38% |
| Savings deposits | 52,845 | 205 | 1.57% | 62,048 | 245 | 1.60% |
| Certificates of deposit | 152,178 | 1,785 | 4.76% | 126,607 | 1,189 | 3.81% |
| Borrowings | 37,130 | 464 | 5.07% | 35,567 | 334 | 3.81% |
| Total interest-bearing liabilities | 277,190 | 2,779 | 4.07% | 247,795 | 1,875 | 3.07% |
| Noninterest-bearing liabilities | | | | | | |
| Other liabilities | 40,857 | | | 34,640 | | |
| Stockholders equity | 30,570 | | | 27,721 | | |
| Total liabilities and stockholders equity | \$ 348,617 | | | \$ 310,156 | | |
| Net interest income | | \$ 2,612 | | | \$ 2,686 | |
| Interest rate spread (2) | | | 2.83% | | | 3.42% |
| Net yield on interest-earning assets (3) | | | 3.46% | | | 3.89% |
| Ratio of average interest-earning assets to average interest-bearing liabilities | | | 118.61% | | | 118.25% |

- (1) Interest income and expense are for the period that banking operations were in effect.
- (2) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
- (3) Net yield on interest-earning assets represents net interest income as a percentage of average interest-earning assets.
- (4) Average yields are computed using annualized interest income and expense for the periods.

Analysis of Changes in Net Interest Income. The following table analyzes the changes in interest income and interest expense, between the quarters ended March 31, 2007 and 2006, in terms of: (1) changes in volume of interest-earning assets and interest-bearing liabilities and (2) changes in yields and rates. The table reflects the extent to which changes in the Company's interest income and interest expense are attributable to changes in rate (change in rate multiplied by prior period volume), changes in volume (changes in volume multiplied by prior period rate) and changes attributable to the combined impact of volume/rate (change in rate multiplied by change in volume). The changes attributable to the combined impact of volume/rate are allocated on a consistent basis between the volume and rate variances. Changes in interest income on securities reflects the changes in interest income on a fully tax equivalent basis.

2007 versus 2006
Increase (decrease) due to

| | Volume | Rate | Total |
|--|------------------------|----------------|---------------|
| | (Dollars in thousands) | | |
| Interest-earning assets: | | | |
| Loans receivable | 317 | 227 | 544 |
| Investments securities | 93 | 61 | 154 |
| Interest-bearing deposits with other banks | 123 | 9 | 132 |
| Total interest-earning assets | 533 | 297 | 830 |
| Interest-bearing liabilities: | | | |
| Interest bearing demand deposits | 5 | 35 | 40 |
| Money market deposits | 57 | 121 | 178 |
| Savings deposits | -36 | -4 | -40 |
| Certificates of deposit | 240 | 356 | 596 |
| Borrowings | 15 | 115 | 130 |
| Total interest-bearing liabilities | 281 | 623 | 904 |
| Net interest income | \$ 252 | (\$326) | (\$74) |

LIQUIDITY

Management's objective in managing liquidity is maintaining the ability to continue meeting the cash flow needs of its customers, such as borrowings or deposit withdrawals, as well as its own financial commitments. The principal sources of liquidity are net income, loan payments, maturing and principal reductions on securities and sales of securities available for sale, federal funds sold and cash and deposits with banks. Along with its liquid assets, the Company has additional sources of liquidity available to ensure that adequate funds are available as needed. These include, but are not limited to, the purchase of federal funds, and the ability to borrow funds under line of credit agreements with correspondent banks and a borrowing agreement with the Federal Home Loan Bank of Cincinnati, Ohio and the adjustment of interest rates to obtain

depositors. Management feels that it has the capital adequacy, profitability and reputation to meet the current and projected needs of its customers.

For the three months ended March 31, 2007, the adjustments to reconcile net income to net cash from operating activities consisted mainly of depreciation and amortization of premises and equipment, the provision for loan losses, net amortization of securities and net changes in other assets and liabilities. Cash and cash equivalents increased as a result of the purchasing of government agency securities. For a more detailed illustration of sources and uses of cash, refer to the condensed consolidated statements of cash flows.

INFLATION

Substantially all of the Company's assets and liabilities relate to banking activities and are monetary in nature. The consolidated financial statements and related financial data are presented in accordance with U.S. GAAP. GAAP currently requires the Company to measure the financial position and results of operations in terms of historical dollars, with the exception of securities available for sale, impaired loans and other real estate loans that are measured at fair value. Changes in the value of money due to rising inflation can cause purchasing power loss.

Management's opinion is that movements in interest rates affect the financial condition and results of operations to a greater degree than changes in the rate of inflation. It should be noted that interest rates and inflation do effect each other, but do not always move in correlation with each other. The Company's ability to match the interest sensitivity of its financial assets to the interest sensitivity of its liabilities in its asset/liability management may tend to minimize the effect of changes in interest rates on the Company's performance.

REGULATORY MATTERS

The Company is subject to the regulatory requirements of The Federal Reserve System as a one-bank holding company. The affiliate bank is subject to regulations of the Federal Deposit Insurance Corporation (FDIC) and the State of Ohio, Division of Financial Institutions.

REGULATORY CAPITAL REQUIREMENTS

The Company is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors and the regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the Banks' operations.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion and plans for capital restoration are required.

The minimum requirements are:

| | Total Capital to Risk-Weighted Assets | Tier 1 Capital to Risk-Weighted Assets | TIER 1 Capital to Average Assets |
|------------------------|--|---|---|
| Well capitalized | 10.00% | 6.00% | 5.00% |
| Adequately capitalized | 8.00% | 4.00% | 4.00% |
| Undercapitalized | 6.00% | 3.00% | 3.00% |

The following table illustrates the Company's risk-weighted capital ratios at March 31, 2007:

| | 31-Mar-07 | |
|---|--------------------------|---------------|
| | Amount | Ratio |
| Total Capital (to Risk-weighted Assets) | | |
| Actual | \$42,156,178 | 17.40 |
| For Capital Adequacy Purposes To Be Well Capitalized | 19,378,160 24,222,700 | 8.00 10.00 |
| Tier I Capital (to Risk-weighted Assets) | | |
| Actual | \$31,120,368 | 12.85 |
| For Capital Adequacy Purposes To Be Well Capitalized | 9,689,080 14,533,620 | 4.00 6.00 |
| Tier I Capital (to Average Assets) | | |
| Actual | \$31,120,368 | 8.93 |
| For Capital Adequacy Purposes To Be Well Capitalized | 13,944,680 17,430,850 | 4.00 5.00 |

Item 3 Quantitative and Qualitative Disclosures about Market Risk

ASSET AND LIABILITY MANAGEMENT

The primary objective of the Company's asset and liability management function is to maximize the Company's net interest income while simultaneously maintaining an acceptable level of interest rate risk given the Company's operating environment, capital and liquidity requirements, performance objectives and overall business focus. The principal determinant of the exposure of the Company's earnings to interest rate risk is the timing difference between the repricing and maturity of interest-earning assets and the repricing or maturity of its interest-bearing liabilities. The Company's asset and liability management policies are designed to decrease interest rate sensitivity primarily by shortening the maturities of interest-earning assets while at the same time extending the maturities of interest-bearing liabilities. The Board of Directors of the Company continues to believe in strong asset/liability management in order to insulate the Company from material and prolonged increases in interest rates. As a result of this policy, the Company emphasizes a larger, more diversified portfolio of residential mortgage loans in the form of mortgage-backed securities. Mortgage-backed securities generally increase the quality of the Company's assets by virtue of the insurance or guarantees that back them, are more liquid than individual mortgage loans and may be used to collateralize borrowings or other obligations of the Company.

The Company's Board of Directors has established an Asset and Liability Management Committee consisting of four outside directors, the President and Chief Executive Officer, Executive/Vice President/ Chief Operating Officer, Senior Vice President/Chief Financial Officer and Senior Vice President/Commercial Lending. This committee, which meets quarterly, generally monitors various asset and liability management policies and strategies, which were implemented by the Company over the past few years. These strategies have included: (i) an emphasis on the investment in adjustable-rate and shorter duration mortgage-backed securities; (ii) an emphasis on the origination of single-family residential adjustable-rate mortgages (ARMs), residential construction loans and commercial real estate loans, which generally have adjustable or floating interest rates and/or shorter maturities than traditional single-family residential loans, and consumer loans, which generally have shorter terms and higher interest rates than mortgage loans; (iii) increase the duration of the liability base of the Company by extending the maturities of savings deposits, borrowed funds and repurchase agreements.

The Company has established the following guidelines for assessing interest rate risk:

Net interest income simulation. Given a 200 basis point parallel and gradual increase or decrease in market interest rates, net interest income may not change by more than 10% for a one-year period.

Portfolio equity simulation. Portfolio equity is the net present value of the Company's existing assets and liabilities. Given a 200 basis point immediate and permanent increase or decrease in market interest rates, portfolio equity may not correspondingly decrease or increase by more than 20% of stockholders' equity.

The following table presents the simulated impact of a 200 basis point upward and a 200 basis point downward shift of market interest rates on net interest income and the change in portfolio equity. This analysis was done assuming that the interest-earning asset and interest-bearing liability levels at March 31, 2006 remained constant. The impact of the market rate movements was developed by simulating the effects of rates changing gradually over a one-year period from the March 31, 2007 levels for net interest income. The impact of market rate movements was developed by simulating the effects of an immediate and permanent change in rates at March 31, 2007 for portfolio equity:

| | Increase | Decrease |
|---|-----------------|-----------------|
| | +200 | -200 |
| | BP | BP |
| Net interest income increase (decrease) | 4.0% | (8.1)% |
| Portfolio equity increase (decrease) | (3.6)% | (6.1)% |

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Based on their evaluation as of a date within 90 days of the filing date of this Quarterly Report on Form 10-Q, the Registrant's principal executive officer and principal financial officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the Exchange Act)) are effective to ensure that information required to be disclosed by Middlefield in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Changes in internal controls. There were no significant changes in the Registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

For information regarding factors that could affect the Corporation's results of operations, financial condition and liquidity, see the risk factors discussion provided under Part 1, Item 1A on Form 10-K for the fiscal year ended December 31, 2006. See also, Forward-Looking Statements included in Part 1, Item 2 of this Quarterly Report on Form 10-Q. There have been no material changes in risk factors since December 31, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of equity securities by the issuer.

None

Item 3. Defaults upon senior securities

None

Item 4. Submission of matters to a vote of security holders

None

Item 5. Other information

None

Item 6. Exhibits

(a) The following exhibits are included in this Report or incorporated herein by reference:

| Exhibit Number | Description | Location |
|-----------------------|--|--|
| 2 | Agreement and Plan of Merger among Middlefield Banc Corp., EB Interim Bank, and Emerald Bank, dated as of November 15, 2006, as amended by Amendment No. 1 | Incorporated by reference to the prospectus/proxy statement, Appendix A, contained in Part I of Form S-4 Registration Statement Amendment No. 1 filed on February 9, 2007. Disclosure schedules referred to in the Agreement and Plan of Merger are omitted in reliance on Item 601(b)(2) of Regulation S-K. Upon request of the SEC, Middlefield Banc Corp. will furnish supplementally to the SEC a copy of the disclosure schedules |
| 3.1 | Second Amended and Restated Articles of Incorporation of Middlefield Banc Corp., as amended | Incorporated by reference to Exhibit 3.1 of Middlefield Banc Corp.'s Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2005, filed on March 29, 2006 |
| 3.2 | Regulations of Middlefield Ban Corp. | Incorporated by reference to Exhibit 3.2 of Middlefield Banc Corp.'s registration statement on Form 10 filed on April 17, 2001 |
| 4 | Specimen stock certificate | Incorporated by reference to Exhibit 3.2 of Middlefield Banc Corp.'s registration statement on Form 10 filed on April 17, 2001 |
| 4.1 | | |

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| | | |
|--------|--|---|
| | Amended and Restated Trust Agreement, dated as of December 21, 2006, between Middlefield Banc Corp., as Depositor, Wilmington Trust Company, as Property Trustee, Wilmington Trust Company, as Delaware Trustee, and Administrative Trustees | Incorporated by reference to Exhibit 4.1 of Middlefield Banc Corp. s Form 8-K Current Report filed on December 27, 2006 |
| 4.2 | Junior Subordinated Indenture, dated as of December 21, 2006, between Middlefield Banc Corp. and Wilmington Trust Company | Incorporated by reference to Exhibit 4.2 of Middlefield Banc Corp. s Form 8-K Current Report filed on December 27, 2006 |
| 4.3 | Guarantee Agreement, dated as of December 21, 2006, between Middlefield Banc Corp. and Wilmington Trust Company | Incorporated by reference to Exhibit 4.3 of Middlefield Banc Corp. s Form 8-K Current Report filed on December 27, 2006 |
| 10.1 * | 1999 Stock Option Plan of Middlefield Banc Corp. | Incorporated by reference to Exhibit 10.1 of Middlefield Banc Corp. s registration statement on Form 10 filed on April 17, 2001 |

| Exhibit Number | Description | Location |
|-----------------------|---|--|
| 10.2 * | Severance Agreement dated July 11, 2006 between Middlefield Banc Corp. and Thomas G. Caldwell | Incorporated by reference to Exhibit 10.2 of Middlefield Banc Corp. s Form 8-K Current Report filed on July 12, 2006 |
| 10.3 * | Severance Agreement dated July 11, 2006 between Middlefield Banc Corp. and James R. Heslop II | Incorporated by reference to Exhibit 10.3 of Middlefield Banc Corp. s Form 8-K Current Report filed on July 12, 2006 |
| 10.4 * | Severance Agreement dated July 11, 2006 between Middlefield Banc Corp. and Jay P. Giles | Incorporated by reference to Exhibit 10.4 of Middlefield Banc Corp. s Form 8-K Current Report filed on July 12, 2006 |
| 10.4.1 * | Severance Agreement dated July 11, 2006 between Middlefield Banc Corp. and Teresa M. Hetrick | Incorporated by reference to Exhibit 10.4.1 of Middlefield Banc Corp. s Form 8-K Current Report filed on July 12, 2006 |
| 10.4.2 * | Severance Agreement dated July 11, 2006 between Middlefield Banc Corp. and Jack L. Lester | Incorporated by reference to Exhibit 10.4.2 of Middlefield Banc Corp. s Form 8-K Current Report filed on July 12, 2006 |
| 10.4.3 * | Severance Agreement dated July 11, 2006 between Middlefield Banc Corp. and Donald L. Stacy | Incorporated by reference to Exhibit 10.4.3 of Middlefield Banc Corp. s Form 8-K Current Report filed on July 12, 2006 |
| 10.4.4 * | Severance Agreement dated July 11, 2006 between Middlefield Banc Corp. and Alfred F. Thompson Jr. | Incorporated by reference to Exhibit 10.4.4 of Middlefield Banc Corp. s Form 8-K Current Report filed on July 12, 2006 |
| 10.5 * | Federal Home Loan Bank of Cincinnati Agreement for Advances and Security Agreement dated September 14, 2000 | Incorporated by reference to Exhibit 10.4 of Middlefield Banc Corp. s registration statement on Form 10 filed on April 17, 2001 |
| 10.6 * | Director Retirement Agreement with Richard T. Coyne | Incorporated by reference to Exhibit 10.6 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2001, filed on March 28, 2002 |
| 10.7 * | Director Retirement Agreement with Frances H. Frank | Incorporated by reference to Exhibit 10.7 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2001, filed on March 28, 2002 |
| 10.8 * | Director Retirement Agreement with Thomas C. Halstead | Incorporated by reference to Exhibit 10.8 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, |

| Exhibit Number | Description | Location |
|-------------------|---|---|
| 10.9 * | Director Retirement Agreement with George F. Hasman | Incorporated by reference to Exhibit 10.9 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2001, filed on March 28, 2002 |
| 10.10 * | Director Retirement Agreement with Donald D. Hunter | Incorporated by reference to Exhibit 10.10 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2001, filed on March 28, 2002 |
| 10.11 * | Director Retirement Agreement with Martin S. Paul | Incorporated by reference to Exhibit 10.11 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2001, filed on March 28, 2002 |
| 10.12 * | Director Retirement Agreement with Donald E. Villers | Incorporated by reference to Exhibit 10.12 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2001, filed on March 28, 2002 |
| 10.13 * | Executive Survivor Income Agreement (aka DBO agreement [death benefit only]) with Donald L. Stacy | Incorporated by reference to Exhibit 10.14 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004 |
| 10.14 * | DBO Agreement with Jay P. Giles | Incorporated by reference to Exhibit 10.15 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004 |
| 10.15 * | DBO Agreement with Alfred F. Thompson Jr. | Incorporated by reference to Exhibit 10.16 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004 |
| 10.16 * | DBO Agreement with Nancy C. Snow | Incorporated by reference to Exhibit 10.17 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004 |
| 10.17 * | DBO Agreement with Theresa M. Hetrick | Incorporated by reference to Exhibit 10.18 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004 |

| Exhibit Number | Description | Location |
|-----------------------|---|--|
| 10.18 * | DBO Agreement with Jack L. Lester | Incorporated by reference to Exhibit 10.19 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004 |
| 10.19 * | DBO Agreement with James R. Heslop II | Incorporated by reference to Exhibit 10.20 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004 |
| 10.20 * | DBO Agreement with Thomas G. Caldwell | Incorporated by reference to Exhibit 10.21 of Middlefield Banc Corp. s Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 30, 2004 |
| 10.21 * | Form of Indemnification Agreement with directors of Middlefield Banc Corp. and executive officers of Middlefield Banc Corp. and The Middlefield Banking Company | Incorporated by reference to Exhibit 99.1 of Middlefield Banc Corp. s registration statement on Form 10, Amendment No. 1, filed on June 14, 2001 |
| 10.22 * | Annual Incentive Plan Summary | Incorporated by reference to the summary description of the annual incentive plan included as Exhibit 10.22 of Middlefield Banc Corp. s Form 8-K Current Report filed on December 16, 2005 |
| 10.23 * | Executive Deferred Compensation Agreement with Thomas G. Caldwell | Incorporated by reference to Exhibit 10.23 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 4, 2007 |
| 10.24 * | Executive Deferred Compensation Agreement with James R. Heslop II | Incorporated by reference to Exhibit 10.24 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 4, 2007 |
| 10.25 * | Executive Deferred Compensation Agreement with Donald L. Stacy | Incorporated by reference to Exhibit 10.25 of Middlefield Banc Corp. s Form 8-K Current Report filed on January 4, 2007 |
| 99.2 | Consent of S.R. Snodgrass, A.C., independent auditors of Middlefield Banc Corp. | filed herewith |

| Exhibit Number | Description | Location |
|---------------------------|---|-----------------|
| 31 | Rule 13a-14(a) certification of Chief Executive Officer | filed herewith |
| 31.1 | Rule 13a-14(a) certification of Chief Financial Officer | filed herewith |
| 32 | Rule 13a-14(b) certification | filed herewith |
| * | management contract or compensatory plan or arrangement | |

SIGNATURES

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

MIDDLEFIELD BANC CORP.

Date: May 11, 2007

By: /s/ Thomas G. Caldwell
Thomas G. Caldwell
President and Chief Executive Officer

Date: May 11, 2007

By: /s/ Donald L. Stacy
Donald L. Stacy
Principal Financial and Accounting
Officer