

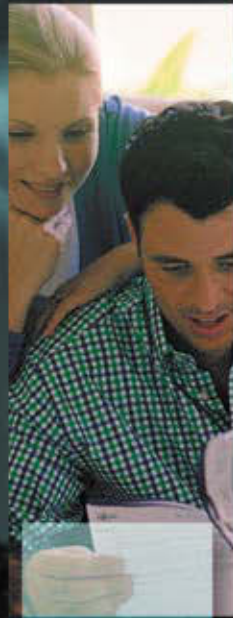
*Middlefield Banc Corp.*

*Annual Report 2002*

*It's a Brand New Day...*

ANNUAL REPORT





*Personal  
Finances*



*Business  
Finances*



*Corporate  
Finances*



*Global  
Finances*

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*...a Brand New Century of  
Dedication to Your Future*

***mbc***  
*Middlefield Banc Corp.*



**Thomas G.  
Caldwell**

President  
and Chief  
Executive  
Officer

# To Our Shareholders and Friends

It is a distinct pleasure to report that, in 2002, Middlefield Banc Corp. achieved strong financial results and made continued progress in its strategic plan for continued long-term growth and reward for our shareholders.

For the year, net income was \$2,500,949. This represents an increase of 10.1% from our record level of earnings in 2001. On a per share basis, this equates to \$2.16, up from the prior year level of \$1.96. Our corresponding returns on average assets and on average equity were 1.17% and 12.08%, respectively. These ratios are indicative of the high capital level that we choose to maintain, as well as the current economic environment within which we operate.

Exclusive of gains on the sale of securities, our non-interest income increased 4.3% for the year. Our level of non-interest expenses grew 9.8%. The increase in non-interest expenses is, in part, attributable to a full year of operation of our Chardon office, as well as an overall increase reflective of our continued growth patterns.

Asset levels ended the year at a record high of \$226,245,533. This 14.3% increase in 2002 follows the 12.1% growth that we achieved in 2001. Loan and deposit levels both grew substantially during 2002. We believe that our 14% increase in loans and 12% increase in deposits are reflective of our effort to be responsive to the communities that we are fortunate to serve.

Several of the efforts that we have made within the last few years are presenting positive results to our organization. The Chardon office, after just fifteen months of operation, has achieved its three-year growth target. We are also pleased with the continued growth and acceptance of both our EasyLine and EasyLink products. During the last year, 70,000 calls were placed to EasyLine, our voice-response banking. This flexibility permits our customers to fill their basic banking needs at any time of day or night. EasyLink, our Internet banking service, has also shown steady growth within the last year. At [www.middlefieldbank.com](http://www.middlefieldbank.com), you may conduct many banking transactions from anywhere in the world at your convenience. We would encourage you to visit this site and learn of the advantages this service has for you.

Within the last few years, we have also made an effort to diversify the risk in our loan portfolio. Although we remain very dedicated to our residential mortgage customers, we recognized the need of small business people within our communities. Indicative of our outreach in this area is the fact that the commercial side of our loan portfolio grew 33.9% during 2002. To support these efforts, we are pleased to have placed calling officers in Middlefield, Chardon and Mantua.

We continue to work to grow your company. Our office in Orwell is under roof and is expected to open near the middle of the second quarter of 2003. Our staff in that office will be a mixture of existing and new personnel. In this manner, we are very fortunate. We have been able to continue to develop internal candidates for promotion, while also growing an organization that seasoned bankers are happy to join.

Interest rates have continued at forty-one year record low levels. This has continued to put considerable pressure on our net interest margin. Our economy remains uncertain and, as we write this, a possible war looms in the Middle East. Also, as you are aware from various news sources, the year 2002 saw many examples of poor corporate stewardship. All of these challenges continue to impact our work on your behalf on a daily basis.

As a public company, we are now required to generate substantial additional reporting to the Securities and Exchange Commission. While it has always been our motive to run your corporation on this highest of ethical levels, we do recognize the desire for these additional assurances. In an effort to solidify our desire to continue to have a well-run, well-respected company, we made the decision in early 2002 to outsource our internal audit function. We now have three separate external firms providing us with independent audits services, internal audit services, and independent loan review.

Our efforts have also continued to provide a proper return to you, our shareholders. During 2002, we were pleased to pay a five percent stock dividend. Following in the line of recent stock dividends, this means that a shareholder owning one hundred shares in 1994 would now own 1270 shares. Additionally, the cash dividend paid during 2002 increased 10.9% from the 2001 level.

Also contained within this Annual Report you will find one of our most exciting undertakings of 2003. We are proud to introduce you to our new logo for The Middlefield Banking Company and for Middlefield Banc Corp. This stylish new design reflects the fluid, forward-looking focus of your company. As we have expanded geographically and through product offerings, our ability for more outside the box thinking has become pronounced. This logo mirrors that dynamic nature.

Many challenges lie ahead in this year and beyond. Our course remains straight and our conviction strong. We thank you for your support and welcome the continued opportunity to serve you.

Sincerely,

Thomas G. Caldwell  
President and Chief Executive Officer

Donald D. Hunter  
Chairman, Board of Directors



Donald D.  
Hunter



Thomas G.  
Caldwell



Donald E.  
Villers



Thomas C.  
Halstead



George F.  
Hasman



Frances H.  
Frank



Richard T.  
Coyne



Martin S.  
Paul



James R.  
Heslop, II



James J.  
McCaskey

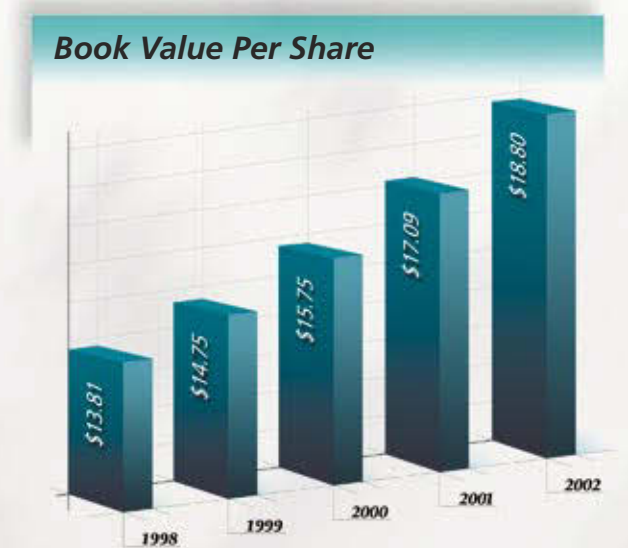
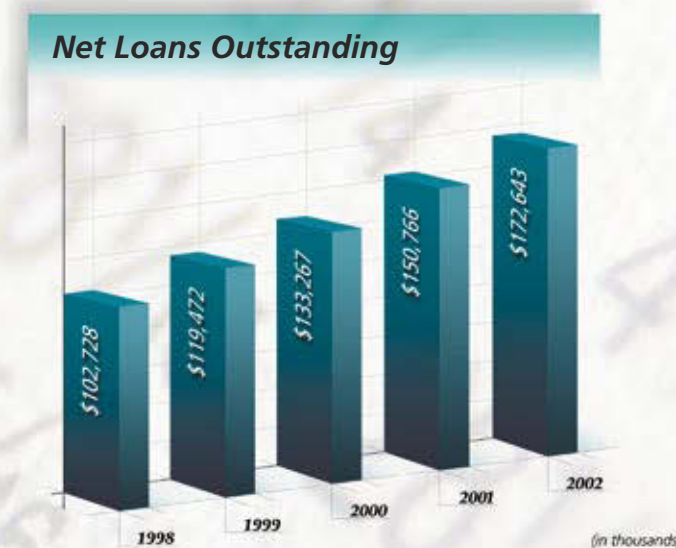
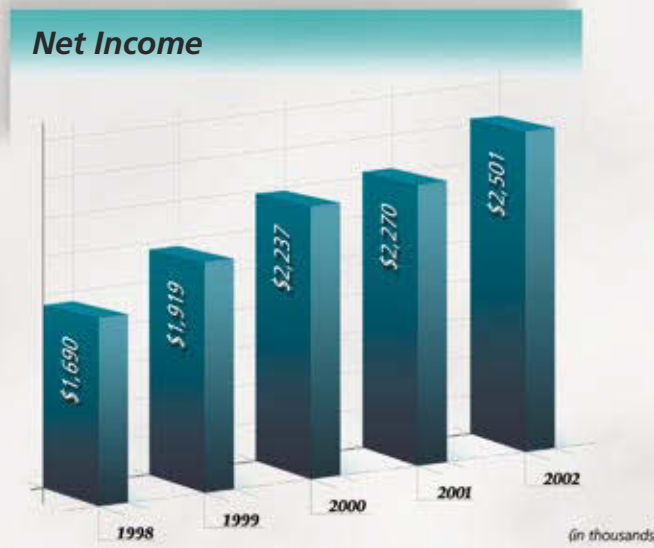


Carolyn J.  
Turk

# Board of Directors

As we embark on a second century of dedication to the future, the principles of our foundation are more important than ever. Our future is shaped by sound business practices, involved leadership, and accountability to our shareholders and customers.

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## Consolidated Balance Sheet

	December 31,	
	2002	2001
<b>ASSETS</b>		
Cash and due from banks	\$ 1,775,324	\$ 3,443,435
Federal funds sold	350,000	2,450,000
Cash and cash equivalents	2,125,324	5,893,435
Interest-bearing deposits in other institutions	571,969	1,240,207
Investment securities available for sale	35,917,057	21,179,786
Investment securities held to maturity (estimated market value of \$6,405,918 and \$10,471,978)	6,242,095	10,229,068
Loans	174,943,131	152,828,355
Less allowance for loan losses	2,300,485	2,062,252
Net loans	172,642,646	150,766,103
Premises and equipment	6,480,730	6,244,797
Accrued interest and other assets	2,265,712	2,304,568
<b>TOTAL ASSETS</b>	<b>\$ 226,245,533</b>	<b>\$ 197,857,964</b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand	\$ 26,610,912	\$ 24,952,407
Interest-bearing demand	7,216,385	6,523,152
Money market	10,660,657	7,940,807
Savings	49,277,572	41,518,906
Time	93,618,968	86,447,456
Total deposits	187,384,494	167,382,728
Short-term borrowings	785,778	660,678
Other borrowings	15,690,053	9,301,334
Accrued interest and other liabilities	638,800	726,417
<b>TOTAL LIABILITIES</b>	<b>204,499,125</b>	<b>178,071,157</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, no par value; 5,000,000 shares authorized, 1,209,123 and 1,148,676 shares issued	7,883,155	6,287,011
Retained earnings	15,051,110	14,842,519
Accumulated other comprehensive income	475,428	133,717
Treasury stock, at cost (52,578 and 45,722 shares)	(1,663,285)	(1,476,440)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>21,746,408</b>	<b>19,786,807</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 226,245,533</b>	<b>\$ 197,857,964</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Income

	Year Ended December 31,		
	2002	2001	2000
<b>INTEREST INCOME</b>			
Interest and fees on loans	\$12,340,920	\$11,807,799	\$ 10,853,292
Interest-bearing deposits in other institutions	48,293	61,718	97,037
Federal funds sold	64,994	138,415	99,320
Investment securities:			
Taxable	1,241,399	1,235,922	1,195,504
Tax-exempt	424,357	462,715	525,017
Total interest income	14,119,963	13,706,569	12,770,170
<b>INTEREST EXPENSE</b>			
Deposits	5,478,030	6,198,365	5,311,657
Short-term borrowings	7,175	15,411	64,031
Other borrowings	662,881	534,146	534,196
Total interest expense	6,148,086	6,747,922	5,909,884
<b>NET INTEREST INCOME</b>	<b>7,971,877</b>	<b>6,958,647</b>	<b>6,860,286</b>
Provision for loan losses	300,000	170,000	275,000
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>7,671,877</b>	<b>6,788,647</b>	<b>6,585,286</b>
<b>NONINTEREST INCOME</b>			
Service charges on deposit accounts	955,121	930,431	823,888
Investment securities gains	-	97,807	-
Other income	188,096	165,955	158,775
Total noninterest income	1,143,217	1,194,193	982,663
<b>NONINTEREST EXPENSE</b>			
Salaries and employee benefits	2,523,433	2,316,342	2,240,522
Occupancy expense	357,500	291,706	320,539
Equipment expense	324,659	292,168	283,174
Data processing costs	427,164	361,839	315,011
Professional fees	246,285	247,222	212,298
Ohio state franchise tax	250,050	225,081	208,457
Other expense	1,077,248	1,007,016	828,616
Total noninterest expense	5,206,339	4,741,374	4,408,617
Income before income taxes	3,608,755	3,241,466	3,159,332
Income taxes	1,107,806	970,859	922,661
<b>NET INCOME</b>	<b>\$ 2,500,949</b>	<b>\$ 2,270,607</b>	<b>\$ 2,236,671</b>
<b>EARNINGS PER SHARE</b>			
Basic	\$ 2.16	\$ 1.96	\$ 1.92
Diluted	2.16	1.95	1.92

See accompanying notes to consolidated financial statements.

## A Decade of Progress

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Interest Income	\$ 8,628,915	\$ 9,512,712	\$ 10,336,464	\$ 10,375,117	\$ 10,599,777	\$ 10,901,445	\$ 11,448,619	\$ 12,770,170	\$ 13,706,569	\$ 14,119,963
Interest Expense	4,024,735	4,200,784	4,855,690	4,985,064	5,083,713	5,084,615	5,048,276	5,909,884	6,747,922	6,148,086
<b>Net Interest Income</b>	4,604,180	5,311,928	5,480,774	5,390,053	5,516,064	5,816,830	6,400,343	6,860,286	6,958,647	7,971,877
Provision For Loan Losses	180,000	198,000	240,000	351,000	200,000	270,000	296,000	275,000	170,000	300,000
<b>Net Interest Income After Provision For Loan Losses</b>	4,424,180	5,113,928	5,240,774	5,039,053	5,316,064	5,546,830	6,104,343	6,585,286	6,788,647	7,671,877
Noninterest Income, Including Security Gains/(Losses)	351,236	327,607	355,149	586,328	546,103	598,771	804,358	982,663	1,194,193	1,143,217
Noninterest Expense	2,803,010	3,076,058	3,221,651	3,245,926	3,493,280	3,824,819	4,254,374	4,408,617	4,741,374	5,206,339
<b>Income Before Income Taxes</b>	1,972,406	2,365,477	2,374,272	2,379,455	2,368,887	2,320,782	2,654,327	3,159,332	3,241,466	3,608,755
Income Taxes	522,000	651,000	681,660	657,000	624,243	630,337	735,318	992,661	970,859	1,107,806
<b>Net Income</b>	\$ 1,450,406	\$ 1,714,477	\$ 1,692,612	\$ 1,722,455	\$ 1,744,644	\$ 1,690,445	\$ 1,919,009	\$ 2,236,671	\$ 2,270,607	\$ 2,500,949
Total Assets	\$ 125,229,507	\$ 130,589,544	\$ 134,570,716	\$ 133,867,396	\$ 142,276,167	\$ 155,557,609	\$ 165,512,453	\$ 176,488,813	\$ 197,857,964	\$ 226,245,533
Deposits	114,808,975	112,082,402	121,247,047	119,254,240	121,482,038	128,827,889	135,094,459	147,166,046	167,382,728	187,384,494
Equity Capital	10,019,887	11,449,463	12,800,762	14,135,561	15,465,255	16,656,797	17,689,055	18,243,362	19,786,807	21,746,408
Loans Outstanding, Net	62,759,415	80,431,585	86,250,549	83,946,960	88,320,047	102,728,454	119,471,741	133,266,893	150,766,103	172,642,646
Allowance For Loan Losses	681,118	811,212	1,067,956	1,138,919	1,334,800	1,538,726	1,756,137	2,037,322	2,062,252	2,300,485
Net Charge-Offs (Recoveries)	21,598	67,906	(16,744)	280,037	4,119	66,074	78,589	(6,185)	145,070	61,767
Full Time Employees (Average Equivalent)	48	50	53	53	56	59	61	57	64	66
Number Of Offices	Three	Three	Three	Three	Three	Four	Four	Four	Five	Five
Earnings Per Share	\$ 1.21	\$ 1.43	\$ 1.41	\$ 1.43	\$ 1.45	\$ 1.40	\$ 1.60	\$ 1.92	\$ 1.96	\$ 2.16
Dividends Per Share	0.22	0.24	0.28	0.32	0.36	0.42	0.48	0.51	0.67	0.74
Book Value Per Share	8.31	9.50	10.62	11.72	12.83	13.81	14.75	15.75	17.09	18.80
Dividend Pay-out Ratio	18.01%	16.62%	19.64%	22.61%	24.98%	29.53%	29.82%	26.61%	33.94%	34.47%
Cash Dividends Paid	\$ 261,159	\$ 284,901	\$ 332,385	\$ 389,365	\$ 435,747	\$ 499,215	\$ 572,343	\$ 595,255	\$ 772,068	\$ 857,751
Return On Average Assets	1.28%	1.34%	1.30%	1.29%	1.23%	1.15%	1.21%	1.31%	1.22%	1.17%
Return On Average Equity	14.51%	14.99%	14.05%	12.21%	11.67%	10.43%	11.17%	12.83%	11.89%	12.08%

## Notes:

(1) The above per share amounts have been restated to reflect the five for one stock split effected in 1995, the 10% stock dividends paid in 1997 and 1998, and the two for one stock split effected in 2000. (2) Applicable income taxes for 1993 are net of cumulative effect of accounting changes for income taxes of \$37,995.

## Staff

### Main Office:

Karen Westover – 1983 – Head Teller  
 Louise Fenselon – 1984 – Teller  
 Bonnie Steele – 1985 – Customer Services  
 Diana Koller – 1998 – Teller  
 Summer Phillips – 1999 – Customer Services  
 Elizabeth Pixley – 2001 – Teller\*  
 Monica Szilagyi – 2001 – Teller  
 Amanda Wright – 2001 – Teller  
 Rachel Strong – 2002 – Receptionist\*  
 Karah Vance – 2002 – Teller\*  
 Lauralyn Holmes – 2003 – Teller\*  
 Cathy Knippenberg – 2003 – Teller\*

### West Branch:

Patti Russo – 1982 – Customer Services  
 Rachel Lilly – 1985 – Head Teller  
 Kelly Gibney – 1987 – Teller  
 Lori Sheridan – 2000 – Teller\*  
 Stacy Siracki – 2000 – Teller  
 Lisa Sanborn – 2000 – Teller  
 Ellen Wilson – 2001 – Teller  
 Jenni Trask – 2002 – Teller\*

### Garrettsville:

Marian Nichols – 1986 – Teller\*  
 Kathy Vanek – 1998 – Customer Services  
 Colleen Steele – 1998 – Teller\*  
 Vickie Moss – 1998 – Teller  
 Michelle Lutz – 2001 – Teller  
 Jennifer Hoffman – 2001 – Teller\*  
 Jeremy Bailey – 2001 – Teller\*  
 Janis Pollack – 2002 – Teller

### Mantua:

Sara Hedge – 2000 – Teller  
 Robin Morris – 2002 – Teller  
 Rebecca Reinard – 2002 – Teller\*  
 Joan Sweet – 2002 – Branch Supervisor

### Chardon:

Amanda Miller – 2001 – Teller  
 Gretchen Mihalic – 2001 – Teller\*  
 Karen Graham – 2002 – Teller  
 Sarah Thompson – 2002 – Teller\*

### Orwell:

Pamela Hummel – 1999 – Teller  
 Jessica Osburn – 2001 – Customer Services  
 Alyssa Lipps – 2003 – Teller  
 Sharon Clements – 2003 – Branch Manager  
 Diane Giel – 2003 – Teller\*

### Loan Department:

Helen Stowe – 1985 – Loan Administrative Assistant  
 Carole Triplett – 1993 – Loan Administrative Assistant  
 Jennifer Sponseller – 1997 – Loan Administrative Assistant  
 Jane Armstrong – 1998 – Loan Collection Manager  
 Vivian Helmick – 1998 – Loan Administrative Assistant  
 Carolyn Fackler – 2001 – Loan Administrative Assistant  
 Melissa Clark – 2002 – Loan Administrative Assistant

### Operations:

Pamela Malcuit – 1989 – Bookkeeper  
 Donna Williams – 1990 – Bookkeeper  
 Lauren Harth – 1995 – Audit Clerk\*  
 Tara Morgan – 1997 – Proof Operator  
 Derrick Pilarczyk – 1999 – Facility Maintenance  
 Ashley Durst – 2001 – Bookkeeper  
 Kristina McGuire – 2001 – Network Support

## Officers

Thomas G. Caldwell – 1986  
 President and Chief Executive Officer

James R. Heslop, II – 1996  
 Executive Vice President and  
 Chief Operating Officer

Teresa M. Hetrick – 1996  
 Senior Vice President  
 Operations/Administration

Jay P. Giles – 1998  
 Senior Vice President  
 Senior Commercial Lender

Donald L. Stacy – 1999  
 Senior Vice President  
 Chief Financial Officer

Nancy C. Snow – 1979  
 Vice President and Corporate  
 Secretary  
 and West Branch Manager

Kathleen M. Johnson – 1971  
 Vice President  
 Chief Accounting Officer

Jack L. Lester – 1990  
 Vice President  
 Compliance and Security Officer

Joann Vance – 1986  
 Vice President  
 Garrettsville Branch Manager

Alfred F. Thompson, Jr. – 1996  
 Vice President  
 Senior Retail Lender

William L. Douglass – 1997  
 Vice President/Lending

R. E. West – 1998  
 Vice President  
 Main Office Manager

Sharon R. Jarold – 2001  
 Vice President/Lending

Edward F. Kent – 2002  
 Vice President/Lending

Gail Neikirk – 1983  
 Assistant Vice President

Karen Branhan – 1983  
 Assistant Vice President

Christine A. Polzer – 1989  
 Network Administrator

Thomas R. Neikirk – 1994  
 Banking Officer

Lori A. Graham – 1998  
 Banking Officer  
 Chardon Branch Supervisor

Marlin J. Moschell – 2000  
 Banking Officer

## Directors

Donald D. Hunter – 1977  
 Chairman  
 Co-Owner: H&H Hardware, Inc.

Donald E. Villers – 1987  
 Retired: Copperweld Steel

Thomas C. Halstead – 1988  
 Co-Owner: Settlers' Farm

George F. Hasman – 1989  
 Retired: Chairman & President of  
 The Twinsburg Banking Company

Frances H. Frank – 1995  
 Secretary/Treasurer  
 The Frank Agency, Inc.

Thomas G. Caldwell – 1997  
 President and Chief Executive Officer  
 Middlefield Banc Corp.  
 The Middlefield Banking Company

Richard T. Coyne – 1997  
 General Manager  
 Jaco Products

Martin S. Paul – 1998  
 Vice President  
 Paul's Lumber

James R. Heslop, II – 2001  
 Executive Vice President &  
 Chief Operating Officer  
 Middlefield Banc Corp.  
 The Middlefield Banking Company

James J. McCaskey – 2003  
 Senior Vice President  
 Pattie Group, Inc.

Carolyn J. Turk, C.P.A. – 2003  
 Regional Controller  
 Molded Fiber Glass Companies

# Staff & Directors



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## Corporate Headquarters

The Corporation's headquarters is located at:

Middlefield Banc Corp.  
15985 East High Street  
P. O. Box 35  
Middlefield, Ohio 44062  
(440) 632 - 1666  
(888) 801 - 1666

## Form 10-K And 10-Q Availability

A copy of Middlefield Banc Corp.'s Annual Report on Form 10-K and Quarterly Reports on 10-Q filed with the Securities and Exchange Commission will be furnished to any shareholder, free of charge, upon written or e-mail request to:

Donald L. Stacy  
Treasurer and CFO  
Middlefield Banc Corp.  
P. O. Box 35  
Middlefield, Ohio 44062  
or  
dstacy@middlefieldbank.com

## Stock Trading

The symbol for Middlefield Banc Corp. common stock is MBCN and the CUSIP is 596304204.

Sweney Cartwright & Co.  
George Geissbuhler  
17 South High Street  
Columbus, Ohio 43215  
(614) 228-5391  
(800) 334-7481

Robert W. Baird & Co., Inc.  
Rolly Rastetter &  
Richard W. Comstock  
3875 Embassy Parkway,  
Suite 300  
Akron, Ohio 44333  
(330) 670-0350  
(877) 792-7868

## Notice Of Annual Meeting

The Annual Meeting of Shareholders of Middlefield Banc Corp. will be held at 1:00 p.m. on Wednesday, May 14, 2003, at Grandview Inn, 13404 Old State Road, Middlefield, Ohio.

## Transfer Agent And Registrar

The Middlefield Banking Company  
Shareholder Relations Department  
P. O. Box 35  
Middlefield, Ohio 44062

## Independent Auditors

S. R. Snodgrass, A. C.  
1000 Stonewood Drive, Suite 200  
Wexford, Pennsylvania 15090-8399  
(724) 934-0344

## Internet Information

Information on The Middlefield Banking Company's products and services is available on the Internet at [www.middlefieldbank.com](http://www.middlefieldbank.com).

## Dividend Payment Dates

Subject to action by the Board of Directors, Middlefield Banc Corp. will pay dividends in March, June, September, and December.

## Dividend Reinvestment And Stock Purchase Plan

Shareholders may elect to reinvest their dividends in additional shares of Middlefield Banc Corp.'s common stock through the company's Dividend Reinvestment Plan. To arrange automatic purchase of shares with quarterly dividend proceeds, please call 1-888-801-1666.

## Direct Deposit Of Dividends

The direct deposit program, which is offered at no charge, provides for automatic deposit of quarterly dividends directly to a checking or savings account with The Middlefield Banking Company. For information regarding this program, please call 1-888-801-1666.

# Shareholder Information



***Main Office***

15985 East High Street  
440-632-1666

***West Branch***

15545 West High Street  
440-632-1666

***Garrettsville***

8058 State Street  
330-527-2121

***Mantua***

10519 South Main Street  
330-274-0881

***Chardon***

348 Center Street  
440-286-1222

***Orwell***

30 South Maple Street  
440-437-7200



15985 East High Street • Middlefield, Ohio • 440-632-1666  
[www.middlefieldbank.com](http://www.middlefieldbank.com)

*And Its Wholly-Owned Subsidiary*