

April 8, 2010

**FINANCIALS**

**MainStreet Bank**  
(MNSB-OTC BB-Not Rated)

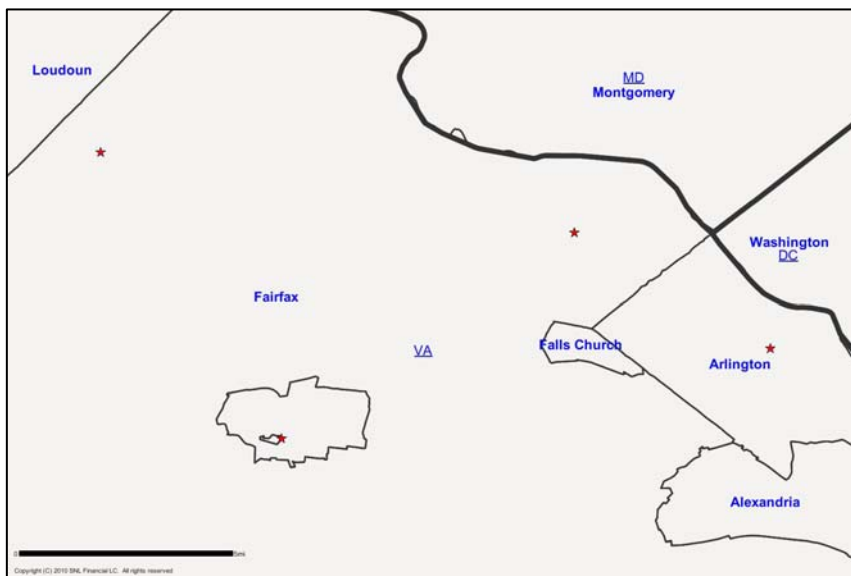
**MainStreet Bank: 2009 Financial Results**

**Company Description:** MainStreet Bank is a state chartered commercial bank headquartered in Herndon, Virginia. The bank was incorporated in the Commonwealth of Virginia on March 28, 2003. Thereafter, it conducted a subscription offering, applied for and received regulatory approval to operate as a bank, and opened for business on May 26, 2004. MainStreet Bank markets its financial services to individuals, small to medium sized businesses, entrepreneurs, professionals, consumers and high net worth clients. The bank's client base is generally located in the Northern Virginia market, although it does have clients in the surrounding greater Washington, D.C. metropolitan area. MainStreet Bank has three branch locations: Herndon, Virginia; Fairfax City in Fairfax, Virginia; and McLean, Virginia. ([www.mstreetbank.com](http://www.mstreetbank.com))

**Key Highlights:**

- MainStreet Bank reported GAAP diluted EPS of \$0.20 in 2009 versus \$0.04 in 2008. In 2009, the company did not declare a cash dividend.
- Gross loans increased 28.6% in 2009, with commercial real estate loans posting the largest increase.
- Total deposits increased 33.3% during the year, with time deposit accounts experiencing the largest increases. At December 31, 2009, non-CD deposits amounted to 31.2% of total deposits.
- The company's net interest income increased to \$6.3M in 2009 from \$5.5M in 2008. The net interest margin contracted to 3.27% from 3.33% over the same periods.
- Loan loss provision expense increased to \$0.76M in 2009 from \$0.38M in 2008. NPAs-to-assets increased to 1.45% at year-end from 0.22% 12 months earlier. The NCO ratio decreased to 0.00% in 2009 from 0.04% in the previous year.
- Noninterest income contributed \$0.3M or 5% to total revenue in the most recent year while noninterest expense increased to \$5.9M in 2009 from \$5.3M in 2008.

**MainStreet Bank: Bank Branch Map**



**Market Data**

Market Value (M)	\$14
Current Price	\$5.90
52 Week Range	\$4.50 to \$7.25
Shares O/S (M)	2.4
ADTV (Shs)	374
ADTV (\$)	\$2,207
Dividend Yield	0.00%
Institutional Ownership	NA

**Financial Data**

<i>Year Ended 12/31/09</i>	
Assets (M)	\$236
Deposits (M)	\$190
Equity (M)	\$22
Book Value/Share	\$9.17
Tan. BV/Share	\$9.17
Annual Dividend	\$0.00
Loans / Deposits	97.0%
TCE / TA	9.5%
Net Interest Margin (FTE)	3.27%
Efficiency Ratio	90.1%
ROAA	0.25%
ROACE	2.39%
NPAs / Assets	1.45%
NCO/ Avg. Loans	0.00%
Reserves/Loans	1.29%

Source: SNL Financial and company filings

GAAP Diluted EPS			
	2007	2008	2009
1Q	-\$0.05	-\$0.04	\$0.03
2Q	-\$0.07	\$0.00	\$0.03
3Q	-\$0.05	\$0.03	\$0.05
4Q	-\$0.03	\$0.04	\$0.10
Year	-\$0.20	\$0.04	\$0.20

**Valuation Metrics**

	MNSB	Peer Group	Premium/Discount
LTM P/E	29.5x	18.0x	64.0%
P/BV	0.64x	0.85x	-24.1%
P/TBV	0.64x	0.85x	-24.4%

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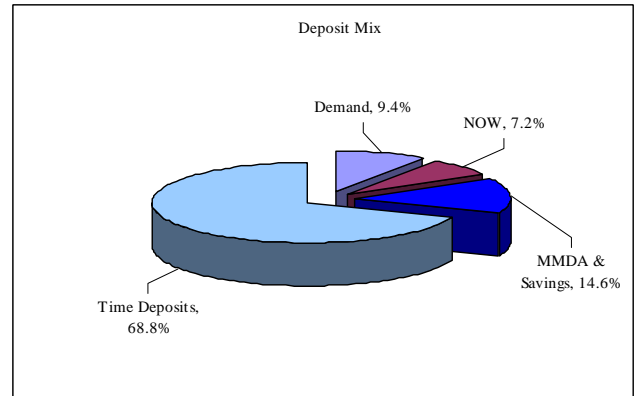
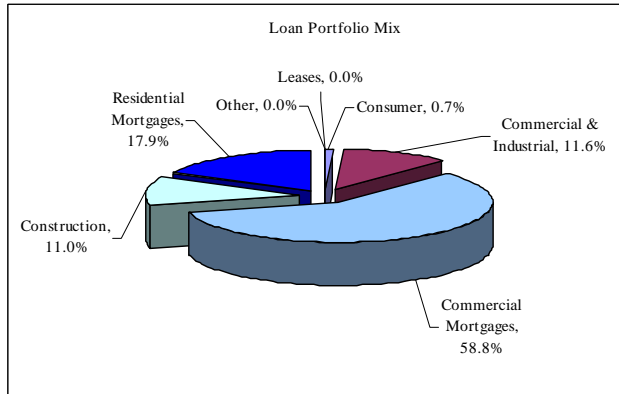
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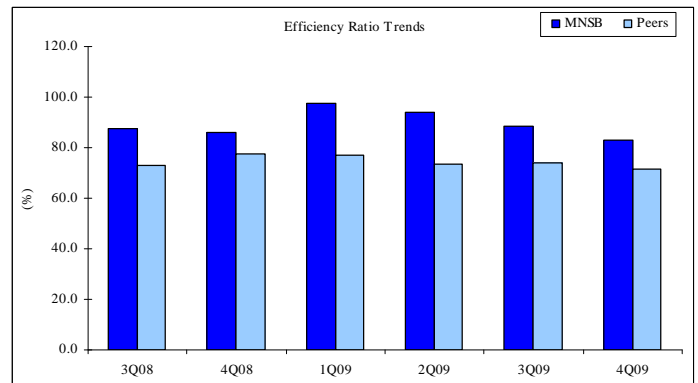
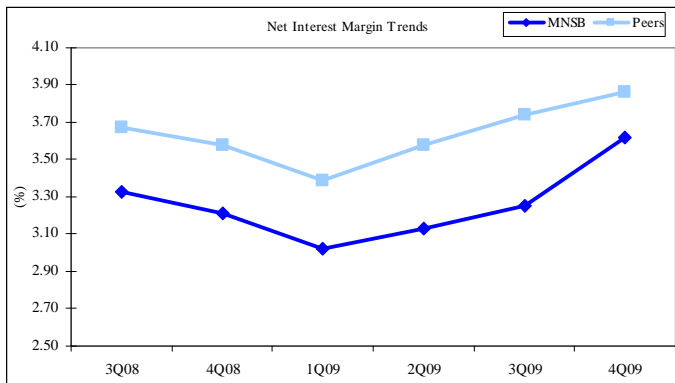
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**Financial Position & Trends**

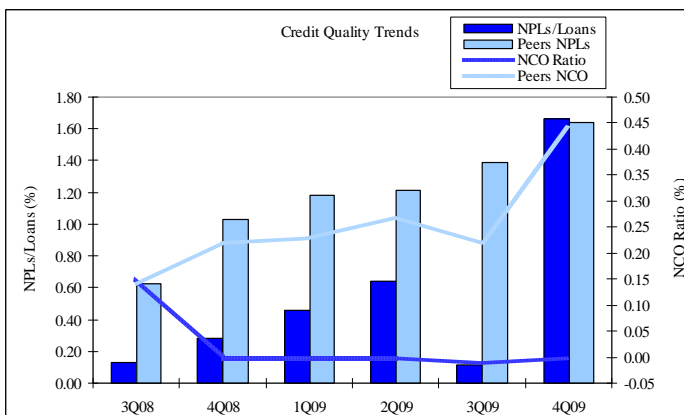
MainStreet Bank’s gross loans balance was \$184M at December 31, 2009. As shown below, CRE loans, residential mortgage loans, and C&I loans represent the largest components of the loan portfolio. The total deposits balance was \$190M at year-end. Time deposit accounts represent the largest portions of the deposit base.



MainStreet Bank’s net interest margin was 3.27% in 2009 compared to a median of 3.64% for its peer group. The bank’s average yield on loans was 5.87% in 2009, down from 6.70% in the prior year. The average cost of time deposits declined to 3.14% from 4.21% over the same periods. The company’s efficiency ratio was 90.14% in 2009 versus a median of 73.58% for its peer group.



The company’s NPLs-to-loans ratio was 1.66% at December 31, 2009 compared to a median of 1.64% for its peer group. The net charge-off ratio was 0.00% in 4Q09 versus a peer median of 0.44%. MainStreet Bank’s TCE-to-TA ratio was 9.46% at December 31, 2009 compared to 9.19% for peers. The company’s Total Capital Ratio was 12.66% at year-end versus a median of 13.35% for peers.



Capital Metrics Trends

	3Q08 (%)	4Q08 (%)	1Q09 (%)	2Q09 (%)	3Q09 (%)	4Q09 (%)
<b>Dividend Payout Ratio</b>						
MNSB	0.00	0.00	0.00	0.00	0.00	0.00
Peer Group	26.32	65.38	0.00	14.66	2.38	44.44
<b>TE / TA</b>						
MNSB	11.93	11.50	10.80	10.44	10.24	9.46
Peer Group	9.09	9.07	9.42	9.25	9.49	9.39
<b>TCE / TA</b>						
MNSB	11.93	11.50	10.80	10.44	10.24	9.46
Peer Group	9.09	8.85	8.43	8.48	8.67	9.19
<b>Leverage Ratio</b>						
MNSB	12.94	12.49	11.68	11.06	11.01	10.15
Peer Group	9.60	9.33	9.36	9.49	9.67	9.39
<b>Tier 1 Ratio</b>						
MNSB	15.02	15.03	14.36	13.68	13.07	11.44
Peer Group	11.48	11.39	12.12	12.11	12.29	11.90
<b>Total Capital Ratio</b>						
MNSB	16.03	16.11	15.52	14.81	14.18	12.66
Peer Group	12.68	12.65	13.11	13.18	13.55	13.35

Source: SNL Financial

Note: The “peer group” is defined as publicly traded banks and thrifts with assets less than \$1B headquartered in the state where the profile company is headquartered. Data Source: SNL Financial and company filings

## Disclosure Appendix

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### MainStreet Bank (OTCBB: MNSB)

#### Risk Factors

The realization of any or all of the following risk factors, among others, may adversely affect the company's stock price: Possible Dividend Reduction, Economic slowdown, Associated Credit Risks, and Earnings Volatility.

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Boenning & Scattergood expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.

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