

MNSB — MainStreet Bank

MNSB is a \$644 Million Asset Community Bank with 5 branch locations in Fairfax and Arlington counties in Northern Virginia. Founded in 2004, the company enjoyed methodical expansion during the Financial Crisis and has accelerated its growth pace while boosting profits on both an absolute earnings per share and ROA/ROTCE basis. Economic activity in the Washington, DC MSA remains robust, especially across the Potomac River in Virginia within the Dulles Airport corridor where small businesses and wealthy consumers are plentiful, many of which desire the services provided by community Banks. Capital has been leveraged in the past 10 quarters as the Loan portfolio has nearly doubled while tangible book value per share is 20% higher. The ROA-Return on Assets has averaged a mid-60s basis points with a steady Pre-Pre ROA of 1.10%. The company enjoys a diverse Loan mix of Commercial Loans, Real Estate, and Consumer which is more balanced than many other Community Bank peers. The company has also leveraged its expense base to a lower level than other institutions.



Fundamental Observations

- MNSB has nearly doubled the Loan portfolio and balance sheet since its late 2014 common capital raise. Tangible book value is 20% higher in the past 10 quarters.
- We are fans of the company's diverse Loan portfolio across the C&I, CRE, and Consumer disciplines. Actual Loan growth in \$dollar terms has been even too as we review on Page 2 of this report.
- The company is unique with an Indirect Auto portfolio nearly 16% of Total Loans. As we compare on Page 6, MNSB has virtually zero problems or losses in Auto. *This is not the same for all other Banks with mid-teens exposure here.*
- Core Deposit costs have been restrained as short-term interest rates climbed as MNSB's 50% growth in Core Deposits during the past 12 months is impressive.
- Continued profitability of 0.60% ROA could equate to a 16% tangible book gain in the next 24 months which we feel would positively impact the stock price.

Stock Details

Market Cap. (MM)	Stock Price	Price-to-Tang.Book	Yield	EPS Last 4 Qtrs.	Total Assets	Loans	Deposits
\$69.5	\$16.10	142%	NA	\$0.95	644,260	525,989	538,792

Balance Sheet (\$000s)

Franchise Data

TCE Ratio	Total Deposit Premium	# Branches	Deposits-per-Branch (\$MM)	CDs % of Total	Tang-Book Value	Assets	Share Count
7.6%	3.8%	5	\$107.8	44%	na	na	na

Growth Since 2009

Market Demographics

Headquarters MSA	Household Income	Shares (MM)	Insiders	Common Shares & Ownership Institutional Investors
Washington-Arlington-Alexandria, DC-VA-MD-WV (Metro)	\$68,376	4.2	NA	0%

Please see important disclosures regarding FIG Partners' equity rating system, distribution of ratings, and other report disclosures on the last page of this report.



KEY ATTRIBUTES OF THE MNSB STORY:

- *Balanced Loan portfolio includes a focus on CRE, C&I, and Indirect Auto. Note that Loan growth has been diverse.*
- *Credit Quality is quite clean both portfolio-wide and in Auto*
- *Deposit Costs are less than other peers in Virginia/Maryland and we observe current pricing has not increased similar to some other institutions in its footprint (see Page 4)*
- *Core Deposits are nearly 60% of the Total and have climbed by over 50% in the past 12 months.*
- *Capital leverage has been solid with over 95% Loan growth since the late 2014 capital raise and*
- *Tangible book value expansion is 20% in past 10 quarters plus improved expense efficiency and operating leverage.*

MNSB's Loan Portfolio (% by Segment) & Loan Growth Breakdown In 2Q17

	% of Loan Portfolio	% of Loan Change
	2017Q2	Link-Qtr.
1st Mortgage	15%	12%
2nd Mortgage	0%	0%
HELOC	4%	4%
Construction	12%	14%
Multifamily	1%	(0%)
Owner-Occ. CRE	19%	14%
Non Own-Occ. CRE	22%	30%
Commercial C&I	10%	15%
Credit Cards	0%	0%
Other Revolving	0%	0%
Automobile	16%	10%
Other Consumer	0%	0%
CRE Categories	54%	59%

Source: FIG Partners Research, FDIC call reports, S&P Global Market Intelligence

CRE Concentration Comparison:

MNSB vs. Nearby Peers

Institution Name	Parent Ticker	Primary Regulator	Tier 1 Leverage Ratio	Total Risk-Based Capital Ratio	Total Assets (\$000)	ADC % of RBC	Multi-Family % of RBC	Owner-Occ. CRE % of RBC	Other CRE % of RBC	ADC + M/F + Other CRE % of RBC
			2017Q2	2017Q2	2017Q2	2017Q2	2017Q2	2017Q2	2017Q2	2017Q2
MainStreet Bank	MNSB	FED	10.32	11.52	644,260	93%	12%	150%	180%	284%
Access National Bank	ANCX	OCC	8.47	11.41	2,758,564	53%	15%	171%	141%	208%
Virginia Commonwealth Bank	BAYK	FED	9.48	13.79	863,022	69%	20%	88%	141%	230%
Essex Bank	ESXB	FED	9.73	13.32	1,290,266	77%	38%	102%	154%	269%
First Bank	FXNC	FED	8.76	13.82	735,373	53%	35%	126%	150%	237%
First Virginia Community Bank	FVCB	FED	11.50	13.11	969,754	79%	45%	104%	235%	360%
Freedom Bank of Virginia	FDVA	FED	10.64	14.04	519,492	66%	2%	152%	182%	250%
John Marshall Bank	JMSB	FED	11.49	12.43	1,118,417	142%	35%	116%	261%	438%
Old Line Bank	OLBK	FDIC	9.79	11.22	1,789,834	79%	22%	156%	331%	431%
Sonabank	SONA	FED	21.84	12.94	2,630,083	73%	28%	153%	175%	276%
TowneBank	TOWN	FDIC	10.43	12.68	8,427,064	103%	24%	110%	154%	280%
WashingtonFirst Bank	WFBI	FED	10.85	13.37	2,078,315	123%	21%	113%	238%	382%



APPENDIX: Our Analysis of Key Points in the FDIC Call Report Filing at 6-30-17

<p>THE BASICS</p> <p>Company Name: MainStreet Bank Status: Current Charter Type: Commercial Bank MSA/CBSA Name: Washington-Arlington-Alexandria, DC City: Fairfax State: VA Parent Name: MainStreet Bancshares, Inc. Parent Ticker: MNSB TOTAL ASSETS (\$000): \$644,260 Tier 1 Leverage Ratio: 10.3%</p> <p>BALANCE SHEET (% of Assets)</p> <p>Cash: 3% Total Securities: 10% Loans: 82% Deposits (% of Total Liab.): 93% All Debt (% of Total Liab.): 7% Loan-to-Deposit Ratio: 98%</p> <p>HTM vs. AFS</p> <p>% HTM Securities (of Assets): 4% % AFS Securities (of Assets): 6%</p> <p>SECURITIES (% of AFS)</p> <p>US Treasuries: 40% Govt. Agencies: 42% Govt.-Sponsored Agencies: 0% Municipals (State & Local): 0% Pass-Through RMBS: 8% Other RMBS: 4% Total CMBS: 0% Total Asset-Backed Sec. (ABS): 0% Structured Financial Products: 0% Tot Other Debt Secs: 6% Mutual Funds, et al: 0%</p> <p>REPRICING (1 Year)</p> <p>% Repricing Assets-to-Total Assets: 37% % ADJUSTED-Repricing Liabilities % of Assets: 43% Securities Repricing as % of Total Securities: 51% Loans Repricing as % of Total Loans: 36% CDs Repricing as % of Total Deposits: 34% Debt Repricing as % of Total Debt: 100%</p> <p>MATURITY</p> <p>% Total Loans Mature or Reprice in 3 to 5 YRS: 17% % Total Loans Mature or Reprice in >5 YRS: 37% Non-Resid. Loans Maturing >5YRS: 37%</p>	<p>PROFITS</p> <p>ROA (as reported): 0.80% Adj. Core ROA (LLP = NCOs): 0.80%</p> <p>LOANS</p> <p>ADC / Construction: 12% Multifamily: 1% Owner-Occ. CRE: 19% Other CRE: 22% C&I: 10% HELOCs: 4% 1-4 Family 1st Lien: 15%</p> <p>DEPOSITS</p> <p>Non-Int. Bearing: 26% NOW: 11% Other Savings: 3% MMDA: 16% CDs Up to \$250k: 34% CDs Over \$250k: 10% Broker Deposits: 9%</p> <p>COST / YIELD</p> <p>Cost of Int-Bear. Dep (%): 0.88 Cost of Funds (%): 0.68</p> <p>Yield on Total Secs. (%): 3.29 Yield on Loans (%): 4.64 Net Interest Margin (%): 3.68</p> <p>CREDIT</p> <p>TOTAL PROBLEM RATIO (excl. 30-89 PD): 0.0% Problem Loans % of Tier 1 + Reserves: 0% 30-89 Day Past Due % (6/30): 0.38% 30-89 Day Past Due % (3/31): 0.89% Net Charge-Offs % (6/30): 0.00% Net Charge-Offs % (3/31): 0.00% Reserves % of Total Loans: 0.84% C&I Problem Ratio (6/30): 0.00%</p> <p>EXPENSES (annualized)</p> <p>Total Expenses-to-Avg. Assets: 2.5% Salary Exp-to-Avg. Assets: 1.6% Occupancy Exp-to-Avg. Assets: 0.3% Other Exp-to-Avg. Assets: 0.6% Efficiency Ratio: 64.8%</p>
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Certain figures and ratios may differ from the company's external filings. We use the FDIC call reports for their uniform data and disclosures which are not available in all other public reports. Investors should also consider reviewing the company's SEC filings.

Liability Repricing factors a lag or delay on new rates for 50% of all MMDA and 85% of Savings accounts.

Adj. Core ROA removes all gains and uses a 4-qr. average Loan Sale income.

Source: FIG Partners Research, FDIC call reports, S&P Global Market Intelligence



Peer Valuations: MSNB vs. Community Banks In VA & MD

Company Name	Market Cap. (\$M)	Total Assets (\$000) MRQ	TCE Ratio MRQ	Core Deposit Premium Today	Price-to-T.Book 8/28/17	
Peer Analysis:						
MNSB	MainStreet Bcshs	\$69	\$644,260	7.6	6.9%	142
ANCX	Access Natl Corp	\$521	\$2,756,990	9.0	16.8%	226
BAYK	Bay Bks of VA	\$87	\$867,392	8.4	3.4%	121
ESXB	Cmtty Bnk Trst Corp	\$181	\$1,290,507	9.4	12.0%	149
FBSS	Fauquier Bkshs Inc	\$66	\$646,265	8.7	1.9%	117
FDVA	Freedom Bnk of Va	\$83	\$519,493	10.4	13.2%	153
FVCB	FVCBankcorp Inc	\$172	\$970,896	8.7	15.8%	191
FXNC	First Natl Corp	\$76	\$735,657	7.5	3.9%	138
HBMD	Howard Bncp Inc	\$191	\$1,104,322	11.4	10.6%	151
JMSB	John Marshall Bncp	\$223	\$1,118,417	11.2	26.5%	179
OLBK	Old Line Bcshs Inc	\$343	\$1,794,317	8.3	21.6%	204
SASR	Sandy Spring Bncp	\$925	\$5,270,521	9.0	14.0%	198
SONA	Southern National	\$400	\$2,630,766	8.4	15.4%	195
TOWN	TowneBank	\$1,910	\$8,427,042	9.9	22.9%	238
WFBI	WashingtonFirst	\$442	\$2,083,177	9.2	21.4%	232

MNSB's Core Deposit premium near 7% is half or less of the median for peers in Virginia and the D.C. MSA. As our charts on Page 5 highlight, this discount valuation has been in effect for the past few years.

Note that current Deposit rates for high-dollar accounts are not as high as certain competitors within its footprint. We feel this local pricing behavior is important to monitor in future quarters as interest rates may increase further and lead to an increased scarcity value in Banks' Deposits (especially for MNSB).

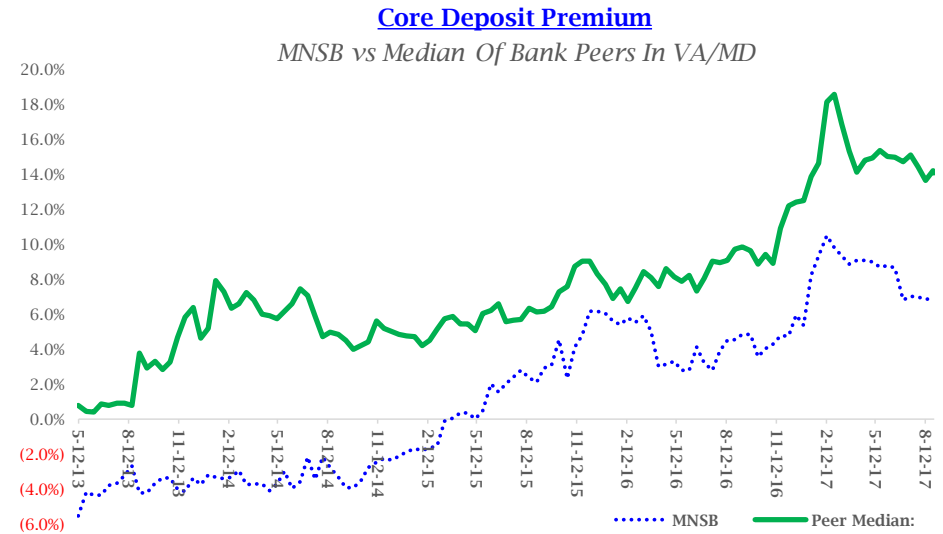
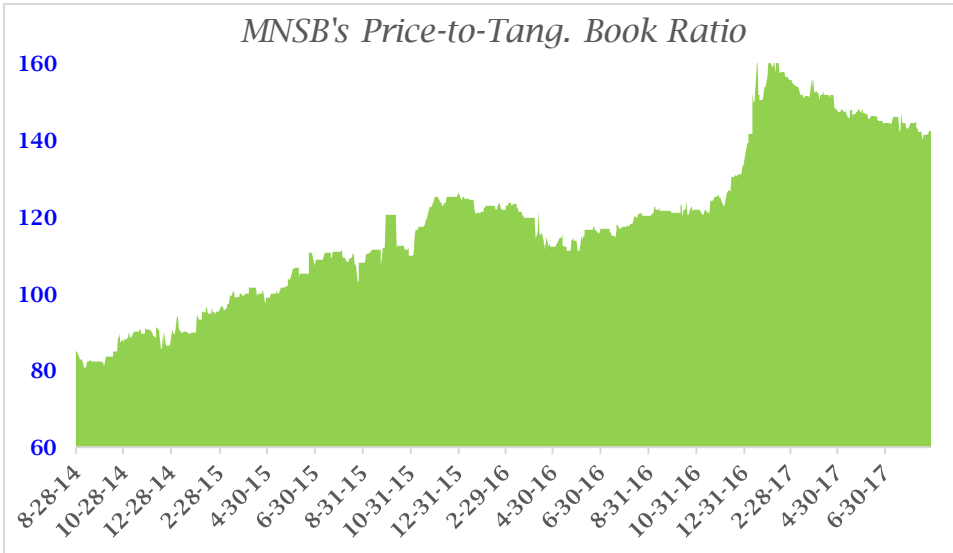
Source: FIG Partners Research, FDIC call reports, S&P Global Market Intelligence

Deposit Rate Survey - August 25, 2017 (ranked by \$100K MMDA)

Ticker	Institution Name	Total Assets (\$M)	\$100K Money Market Rate	1 Yr. \$100K CD
PEERS:				
SASR	Sandy Spring Bancorp, Inc.	\$5,270,521	0.03	0.90
GLBZ	Glen Burnie Bancorp	\$396,126	0.05	NA
ANCX	Access National Corporation	\$2,756,990	0.10	1.00
EFSI	Eagle Financial Services, Inc.	\$744,049	0.14	0.25
HFBK	Harford Bank	\$342,883	0.17	NA
OAKV	Oak View National Bank	\$204,632	0.17	0.65
EGBN	Eagle Bancorp, Inc.	\$7,244,527	0.20	1.00
FBSS	Fauquier Bankshares, Inc.	\$646,265	0.20	0.10
FCBI	Frederick County Bancorp, Inc.	\$406,691	0.20	NA
OLBK	Old Line Bancshares, Inc.	\$1,794,317	0.20	1.00
PTBS	Potomac Bancshares, Inc.	\$411,126	0.20	NA
BYBK	Bay Bancorp, Inc.	\$645,940	0.25	0.15
MNSB	MainStreet Bancshares, Inc.	\$644,260	0.25	0.70
NACB	National Capital Bank of Washington	\$420,461	0.25	0.50
REVB	Revere Bank	\$2,043,941	0.25	NA
BHRB	Burke & Herbert Bank & Trust Compa	\$3,124,963	0.30	0.50
FVCB	FVCBankcorp, Inc.	\$970,896	0.30	1.05
HBK	Hamilton Bancorp, Inc.	\$515,901	0.30	0.55
SVBI	Severn Bancorp, Inc.	\$775,444	0.30	1.45
FMFG	Farmers and Merchants Bancshares, Ir	\$400,378	0.35	0.25
HBMD	Howard Bancorp, Inc.	\$1,104,322	0.35	0.35
PTRS	Virginia Partners Bank	\$373,242	0.35	0.50
SONA	Southern National Bancorp of Virginia	\$2,630,766	0.35	0.80
IFSB	Colombo Bank	\$206,255	0.40	0.75
JMSB	John Marshall Bancorp, Inc.	\$1,118,417	0.40	0.95
WFBI	WashingtonFirst Bankshares, Inc.	\$2,083,177	0.40	1.20
TCFC	Community Financial Corporation	\$1,392,688	0.45	1.45
FDVA	Freedom Bank of Virginia	\$519,493	1.29	1.20



Two Key Valuation Measures Illustrate MNSB's Progress The Past Several Quarters ... But Deposits Remain At A Discount



Source (all charts): FIG Partners Research, S&P Global Market Intelligence

A discount Deposit valuation remains intact for MNSB. We feel this is remaining upside for patient investors as the company continues to build tangible book value per share, Core Deposits, and profitability.

See our Peer group data on Page 4.

Risks For Investors To Consider:

Unexpected and/or rapid changes in interest rates may have significant negative impact on this financial institution's Balance Sheet. Likewise, persistently low interest rates, and/or a flat yield curve may add downward pressure to revenues and the absolute level of NIM-Net Interest Margin.

Declines in asset quality due to an economic slowdown in this company's operating footprint may require increased expenses for loan losses which could decrease overall profitability. Further, this may increase Net Charge-Offs, Nonperforming Loans, Other Real Estate Owned (OREO), and Classified Assets.

Rules set forth by regulatory agencies could reduce future profitability by eliminating certain revenue items, adding additional expenses, or requiring this company to hold more capital. A similar effect is possible if any new legislation (local, state, or federal) is passed that applies to financial institutions, action or litigation against the company could impact future earnings and also affect the public market perception towards this stock.



Auto Lending Analysis:

MNSB Has No Problems On 16% Exposure

	Parent Ticker	Total Assets (\$000)	% Loans: Auto	Change In Exposure: Auto	Problem % - Auto	Problem % - Auto	Net Losses: Auto	Net Losses: Auto
		2017Q2	2017Q2	YR Ago	2017Q2	2017Q1	2017Q2	2017Q1
Public Banks > \$200M. Assets, >5% Auto Exposure								
Fidelity Bank	LION	4,604,369	43.2%	(1.6%)	0.29%	0.31%	0.33%	0.35%
West End Bank, S.B.	WEIN	294,040	41.1%	1.2%	2.56%	2.03%	0.80%	0.98%
Ally Bank	ALLY	126,005,000	38.6%	1.4%	2.21%	1.86%	0.92%	1.13%
Bank of Southside Virginia	BSSC	561,932	38.5%	2.1%	0.82%	0.91%	0.23%	(0.09%)
Five Star Bank	FISI	3,859,183	32.8%	1.3%	0.35%	0.33%	0.51%	0.95%
Capital One, NA	COF	280,231,798	32.4%	3.8%	6.37%	5.86%	1.71%	1.66%
Glens Falls National Bank & Trust Co.	AROW	2,255,239	31.7%	1.4%	0.89%	0.90%	0.12%	0.11%
Bank of Glen Burnie	GLBZ	396,047	31.0%	7.1%	0.94%	0.96%	(0.14%)	0.55%
Mechanics Bank	MCHB	5,704,679	28.9%	25.2%	1.73%	1.78%	0.25%	0.03%
Citizens & Farmers Bank	CFFI	1,460,996	28.2%	(1.4%)	4.36%	2.97%	4.51%	6.14%
HarborOne Bank (MHC)	HONE	2,568,236	24.2%	(4.0%)	0.33%	0.37%	0.08%	0.06%
Bank of Stockton	WFCL	2,884,706	23.5%	(0.4%)	1.10%	1.00%	0.34%	0.90%
Canandaigua National Bank & Trust Co.	CNND	2,580,911	22.4%	1.9%	1.02%	1.19%	0.09%	0.13%
Oriental Bank	OFG	6,201,615	21.4%	1.5%	10.52%	10.21%	1.43%	1.81%
Jonestown Bank & Trust Co.	JNES	552,169	20.3%	7.5%	0.93%	1.03%	0.10%	0.58%
WestAmerica Bank	WABC	5,352,121	20.1%	(0.2%)	1.10%	1.14%	0.38%	1.13%
Farmers Bank of Appomattox	FBPA	241,351	20.0%	5.0%	6.70%	5.49%	0.53%	0.66%
NBT Bank, NA	NBTB	9,001,319	18.8%	(0.7%)	1.53%	1.42%	0.50%	0.69%
Cashmere Valley Bank	CSHX	1,501,030	17.7%	0.7%	0.19%	0.22%	0.12%	0.06%
TCF National Bank	TCF	22,069,753	17.6%	1.0%	0.79%	0.69%	0.88%	1.35%
Central Bank of the Ozarks	CBCYB	1,292,499	17.0%	0.9%	1.27%	1.41%	0.21%	0.41%
Huntington National Bank	HBAN	101,280,420	17.0%	(2.5%)	0.80%	0.82%	0.37%	0.44%
MainStreet Bank	MNSB	644,260	15.8%	(1.9%)	0.08%	0.08%	0.00%	0.00%
TD Bank, N.A.	TD	268,184,699	15.8%	0.1%	1.98%	1.90%	0.63%	0.79%
Park National Bank	PRK	7,760,804	15.5%	2.6%	0.76%	0.73%	0.31%	0.38%
Community Trust Bank	CTBI	4,057,587	15.3%	1.0%	0.81%	0.69%	0.41%	0.73%
Capital City Bank	CCBG	2,792,908	14.7%	0.3%	0.53%	0.50%	0.10%	0.41%



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	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	39.4%	60.6%	0.0%
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Buy/Outperform	FIG expects that total return of the subject stock will outperform the industry benchmark (BIX) over the next 12 months
Hold/Market-Perform	FIG expects that total return of the subject stock will perform inline with the industry benchmark (BIX) over the next 12 months
Sell/Underperform	FIG expects that total return of the subject stock will under perform the industry benchmark (BIX) over the next 12 months

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