Matt Breese, Analyst
401-658-1114, matt.breese@stephens.com

Zach Westerlind, Associate

Brody Preston, CFA, Analyst

Changes	Previous	Current
Rating	--	Overweight
Target Price		$25.50

Price:	$21.66
Fully Diluted Shares Out (mil.):	7.54
52-Week High:	$23.26
52-Week Low:	$11.75
Market Cap (mil.):	$163.4
Fiscal Year End:	Dec
Average Daily Volume:	21,841
Float:	92.5%
Dividend/Yield:	$0.00/0.0%
Book Value/Shr:	$19.21

EPS	2020A	2021E	2022E
Mar	$0.42A	$0.65A	$0.54
Jun	($0.08)A	$0.67	$0.54
Sep	$0.63A	$0.59	$0.54
Dec	$0.92A	$0.59	$0.56
FY	$1.89A	$2.51	$2.18
P/E	11.5x	8.6x	9.9x

Oper. EPS	2020A	2021E	2022E
Mar	$0.42A	$0.44A	$0.48
Jun	($0.16)A	$0.46	$0.50
Sep	$0.52A	$0.45	$0.52
Dec	$0.74A	$0.47	$0.55
FY	$1.52A	$1.82	$2.05
P/E	14.2x	11.9x	10.6x

MainStreet Bancshares is a $1.7 billion in assets bank, based out of Fairfax, VA. Founded in 2004, the bank is focused on the Washington-Arlington-Alexandria MSA, a wealthier geography with median household incomes well above the national averages. The bank operates with seven branches.

MainStreet Bancshares, Inc.

MNSB – NYSE

Overweight
Reason for Report: Initiation of Coverage

Small Cap Growth Story Down on MainStreet - Initiating Overweight With $25.50 P/T

INVESTMENT CONCLUSION:
We are initiating coverage on MNSB with an Overweight rating and $25.50 p/t. MainStreet is a unique, small cap bank, well-positioned in the wealthy and fast-growing DC and Virginia markets with a proven ability to grow the loan portfolio while remaining well-funded. We believe a premium valuation is warranted given the markets, loan and revenue growth outlook and pathways to higher EPS and ROTCE via higher interest rates. With MNSB trading at <120% P/TBV and <11x EPS, we do not see these positives fully reflected in the stock's valuation and we think shares can outperform from current levels through above avg. loan & revenue growth with a NIM inflection point occurring over the next 6-12 months. Our price target is based on 130%-135% P/TBV and 12.5x our 2022 EPS estimates, ahead of peers currently trading at ~115%-125% P/TBV and ~12.0x, respectively.

KEY POINTS:

- **Rating, EPS Estimates and P/T -** We are initiating coverage on MainStreet Bancshares, Inc. (MNSB) with an Overweight rating and $25.50 P/T. Our $25.50 P/T equates to 130%-135% P/TBV and 12.5x 2022 EPS. Our initial 2021 and 2022 operating EPS estimates are $1.82 and $2.05, which compare to consensus at $2.24 and $2.05. For 2021 and 2022, we currently forecast MNSB generating a 0.83% and 0.95% ROA and a 9.0% and 9.0% ROTCE, respectively. These metrics compare to a broader list of nearby, small cap peers where we believe a 9% ROTCE correlates to a ~120% P/TBV multiple, and MNSB's historical valuation metrics, trading at ~141% P/TBV and ~12.0x fwd. EPS.

- **Thesis -** MainStreet is a well-positioned, fast-growing, $1.7 billion in asset bank, operating in the wealthy, fast growing VA/DC markets. With a strong funding base (32% non-interest bearing deposits), solid profitability outlook (0.95% ROA/9.0% ROTCE in 2022), top tier revenue growth outlook, and asset sensitive balance sheet, we believe shares are undervalued, trading at <120% P/TBV vs. peers (with estimates) trading at ~130%. For 2021 and 2022, we believe MainStreet will outperform on the loan growth front, returning to a high single-digit pace by year-end. Combined with margin expansion, we expect MNSB to generate 8.5% core revenue growth in 2022, placing the institution among the top quartile of small cap banks across the U.S. Beyond our initial outlook, we see EPS upside if interest rates were to increase given the balance sheet is asset sensitive. Lastly, while we do not expect a sale in the near term due to the strong outlook, given the aforementioned positives, we believe MNSB holds substantial value in a terminal event, with our estimated takeout range of ~$28-$32 p/s, equaling ~145%-170% P/TBV and 8.5x-10.0x EPS with 35% cost saves.

Company Specific Risks:

- **Interest Rate Risk** – MNSB is an asset sensitive bank and a risk factor to forward earnings is the shape of the yield curve and Fed policy in regard to rate hikes/cuts. If rates were to fall, or the shape of the yield curve were to further flatten, MNSB's earnings power may be negatively impacted due to a faster repricing of assets vs. liabilities.
- **Policy/Regulatory Risk** - The policies and regulations of banks are always evolving. MNSB's ability to control costs associated with such changes could impact earnings and the overall stock price performance.
- **Deal Risk** – We view the pricing, execution and reception of bank M&A as a key risk factor to both the fundamentals of the bank and the value of the overall company. Poor integration, pricing, and/or execution can lead to increased earnings, credit and stock price volatility.
- **Liquidity** - With just over a $150 million market cap, MNSB is a relatively unknown story with just one other sell-side analyst providing EPS estimates. In addition, the stock is illiquid, trading just ~15k shares or ~$350k per day. We believe the lack of sell-side coverage and illiquid nature of the stock are valuation headwinds.
- **Concentrations** - At quarter-end, MNSB was operating with a CRE to total risk-based capital ratio of 376% and an ADC to total risk-based capital ratio of 169%, ratios in excess of regulatory soft thresholds of 300% and 100%, respectively. Elevated concentration ratios could draw increased regulatory scrutiny. In addition, we believe elevated concentrations will act as an inhibitor to capital management.
- **Credit Risk** – While MNSB has done a solid job working pandemic related deferrals down to de minimis levels, further delays in mass vaccination, repeat local/national shutdowns, or delays in general "return to normal" behaviors by the consumer and business customers alike could place additional pressure on asset quality and could lead to credit quality deterioration, NPAs, and/or charge-offs.

Industry Risks:

- **Policy Risks/Political Risks** – The banking industry is one of the most heavily regulated segments of the market. Policy changes (i.e., Dodd Frank Act) can result in increased earnings, credit and stock price volatility. In addition, local and national elections can impact bank fundamentals with recent examples including tax reform and de-regulation.
- **Economic and Credit Risk** – Economic factors, both national and local, including GDP, unemployment, productivity, and real estate values can meaningfully impact a bank's ability to grow and perform with low levels of credit losses. Disruption to the aforementioned metrics along with many others could result in increased earnings and credit volatility.
- **Cybersecurity** – In an ever-evolving technological landscape we note the risk of breaches to customers or important bank level data and the associated costs.

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Investment Summary

MainStreetBancshares, Inc.

We are initiating coverage on MNSB with an Overweight rating and $25.50 p/t. Our price target is based on 130%-135% P/TBV and 12.5x our 2022 EPS estimates, ahead of peers currently trading at ~115%-125% P/TBV and ~12.0x, respectively. We believe a premium valuation is warranted given MNSB's wealthy, fast growing markets, pathways to higher EPS and ROTCE via higher interest rates, and franchise value in a potential sale. With MNSB trading at <120% P/TBV and <11x EPS, we do not see these positives fully reflected in the stock's valuation and we think shares can Outperform from current levels through above avg. loan growth and a NIM inflection point over the next 6-12 months.

Key Points:

- **Best in Class Markets and Strong Growth Outlook** – MainStreet's Northern VA and DC footprint is situated in some of the best markets in the country as measured by household income and population growth. Strength in these markets has allowed the company, without whole bank acquisitions, to grow loans at a pace well beyond regional peers. Specifically, over the last five years MNSB increased the loan portfolio at a ~26% CAGR, ranking the bank among the top 3% of banks in the Northeast, Mid-Atlantic and VA/WV markets. With a history of strong loan growth and some of the best markets in the country, we expect MNSB should be able to achieve mid- to high-single-digit loan growth in 2021 and 2022. Furthermore, due to a combination of margin expansion and strong growth in 2022, we expect operating revenue growth of ~8.5%, placing MNSB among the first quartile of banks with assets between $1 billion and $5 billion in the industry.

- **Primed for Higher Rates –** We expect short term interest rates to remain at historically low levels through 2022 with our estimates reflecting Fed Funds at near zero. That said, in the near term we expect the core margin to bottom as the majority loan yield compression is expected to run its course by mid-2021 and due to the recent sub-debt raise. Beyond 2Q21, we expect core NIM expansion given less loan yield pressure and the company has +$550 million of CDs costing +1.90%, of which 46% is set to reprice over the next 12 months at least 100bp lower. As a result, we expect the core NIM to decrease 10bp to 3.07% in 2Q21 before rebounding to 3.16% by year end, and 3.24% by year-end 2022. Our estimates incorporate the most recent $30 million sub-debt raise, impacting NIM estimates in 2Q21 and beyond by 5bp. Beyond the near and medium term NIM outlook, we think it's important to recognize that MNSB has strong NIM and EPS potential if rates were to increase. Specifically, if interest rates were to increase 100bp, NII would improve by 11.5%, resulting in an estimated +35bp of NIM expansion, and a ~$0.60 p/s, or ~30% positive impact to our 2022 EPS estimates.

- **Tech and Payments Focused –** Adopting and leveraging technology is a focus for MainStreet, exemplified through their branch-lite model and strategic plan to include banking customers that require "Banking as a Service" (BaaS) and other payment service solutions, including their "SMART" Payment Plan. We believe part of the next leg to the MNSB story will be in the payments and fintech arena given the company's interest in the space. From a recent presentation, "the creation of Payment System Solutions vertical and expertise will enhance funding and be a competitive advantage."

- **Valuation** – At <120% P/TBV and <11x EPS, we see shares of MNSB as undervalued with an outlook for a ~0.95% ROA vs. similarly profitable peers (with estimates) trading at ~12.0x earnings and ~130% P/TBV multiple. As mentioned above, looking through 2022, we are forecasting higher capital ratios at MNSB as measured by TCE/TA; increasing from 8.3% at quarter-end to 10.5% by year-end 2022 through a reduction in PPP loans, no dividend, and a high single-digit ROTCE. With excess capital and a relatively cheap valuation, we think share buybacks are a potential option with CRE concentrations being a restraining factor.

- **Key Risks** – Beyond traditional industry risk factors including, credit quality, regulatory risks, interest rates, technology disruption and policy-related risks. We think there are three company specific risk factors for MNSB: 1.) MNSB's balance sheet is asset sensitive with NII expected to increase by ~11.5% if rates were to move 100bp higher. If interest rates are lower for longer, MNSB's long-term earnings outlook could be negatively impacted. 2.) With just over a $165 million market cap, MNSB is a relatively unknown story with just one other sell-side analyst providing EPS estimates. In addition, the stock is illiquid, trading just ~15k shares or ~$350k per day. We believe the lack of sell-side coverage and illiquid nature of the stock are valuation headwinds. 3.) At quarter-end, MNSB was operating with a CRE to total risk-based capital ratio of 376% and an ADC to total risk-based capital ratio of 169%, ratios in excess of regulatory soft thresholds of 300% and 100%, respectively. We believe elevated concentrations will act as an inhibitor to capital management.

Rating, Estimates, Valuation and Profitability

Rating, EPS Estimates and Price Target – We are initiating coverage on MainStreet Bancshares, Inc. (MNSB) with an Overweight rating and $25.50 P/T. Our $25.50 P/T equates to 130%-135% P/TBV and 12.5x 2022 EPS. Our initial 2021 and 2022 operating EPS estimates are $1.82 and $2.05, which compare to consensus at $2.24 (difference could be PPP-related) and $2.05. We believe our fair value multiples are appropriate for a few reasons: 1.) While MNSB's broader peer group trades at ~120% P/TBV, peers with 2022 ROTCE estimates currently trade at ~130% P/TBV vs. MNSB with a similar 9% ROTCE outlook at <120%. Given their markets, loan & revenue growth profile and similar earnings outlook, we think a multiple at least in-line with peers with estimates is appropriate. 2.) MNSB is well positioned for higher rates long term, and likely to see NIM stability in the near term. 3.) We think the company is more valuable in a takeout scenario with an estimated terminal value of $28-$32 p/s. In short, we view MNSB as an undervalued small cap name with pathways to higher EPS and ways for shareholders to profit.

Peer Comps and Valuation - To measure how MNSB trades vs. peers, we selected 12 banks with operations in the Northern VA and DC region, ranging from ~$80 million in market cap to $300 million with assets ranging from $850 million to $2.2 billion. Overall, this group of names trade at 115%-125% P/TBV and 12.0x 2022 earnings, with an outlook for a 0.95%-1.05% ROA and 9%-10% ROTCE. By comparison, MNSB trades at <11x 2022 earnings, ~115% P/TBV while forecasted to generate a similar 0.95% ROA and 9% ROTCE in 2022. We think it's important to draw a distinction between comps with and without forward estimates as those with forward estimates trade at ~130% P/TBV vs. the entire group at ~115%-125%. We believe given MNSB's similar ROA/ROTCE and strong loan growth outlook, the bank warrants an in-line P/TBV multiple, helping us arrive at our

$25.50 P/TBV, equaling 135% P/TBV and 12.5x 2022 EPS. These metrics compare to a broader list of regional small cap peers where we believe a 9% ROTCE correlates to a ~120% P/TBV multiple, and to MNSB's historical valuation metrics, trading at ~141% P/TBV and ~12x fwd. EPS.

Profitability Outlook – For 2021 and 2022, we are currently forecasting MNSB generating a 0.83% and 0.95% ROA and a 9.0% and 9.0% ROTCE, respectively. In terms of PPNR, we expect MNSB will generate $20.5 million and $23.3 million in PPNR in 2021 and 2022, footing to a 1.24% and 1.43% PPNR/assets ratio, respectively.

Exhibit 1

Earnings Est. vs. Consensus

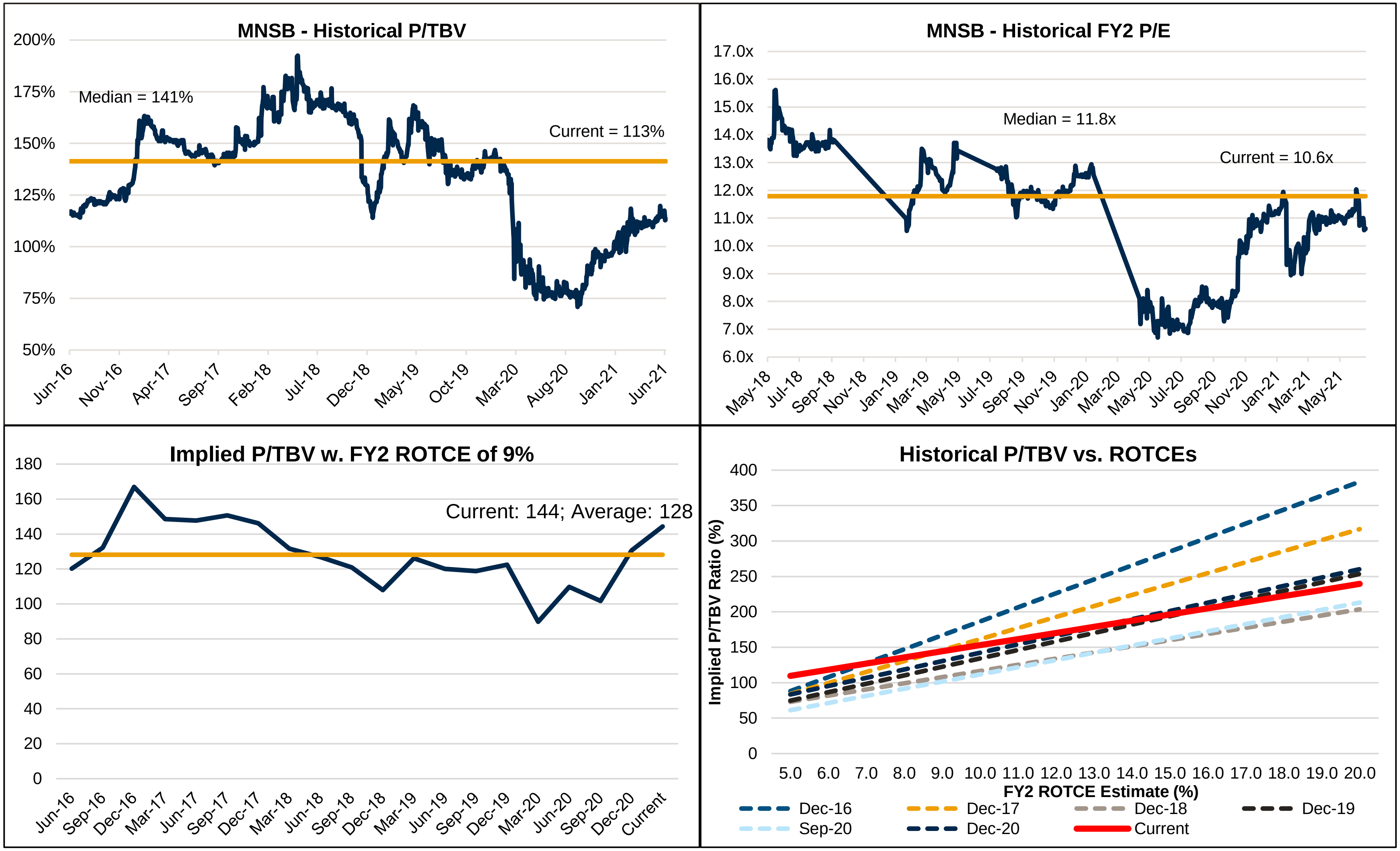
Stephens Inc. vs. Consensus

Company	MainStreet Bancshares, Inc.					
Ticker	**MNSB**					
$ mil.						
	2021Y			2022Y		
	Consensus	Stephens	Difference	Consensus	Stephens	Difference
Op. EPS	**$2.24**	**$1.82**	*-18.6%*	**$2.05**	**$2.05**	*0.1%*
Number of estimates	*1*			*1*		
Total loans	-	1,242	-	-	1,313	-
Net charge offs/avg. loans	-	0.06%	-	-	0.08%	-
			0.0%			*0.0%*
Return on assets (ROA)	1.19%	0.83%	*-0.36%*	1.19%	0.95%	*-0.24%*
Return on equity (ROTCE)	-	9.0%	-	-	9.0%	-

Source: S&P Global, FactSet Research Systems, Company data and Stephens Inc.

Exhibit 2

Valuation Metrics



Source: S&P Global and FactSet Research Systems

Exhibit 3

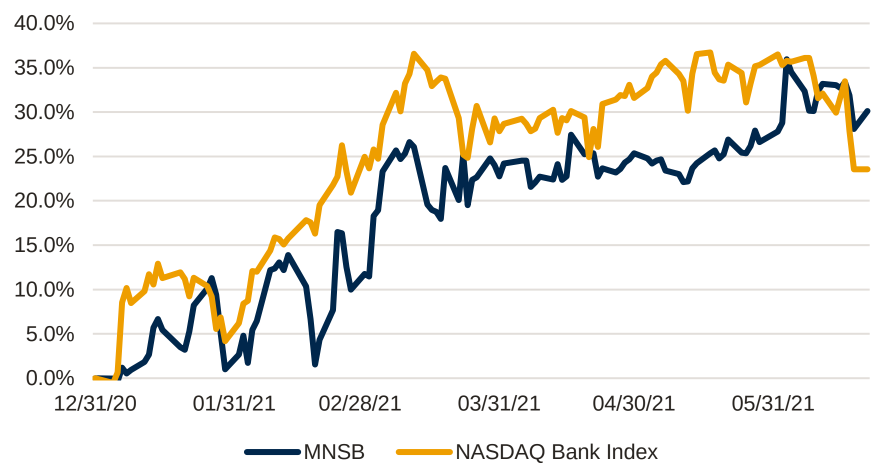
Peer Comps and Profitability Outlook

MNSB Peer Group

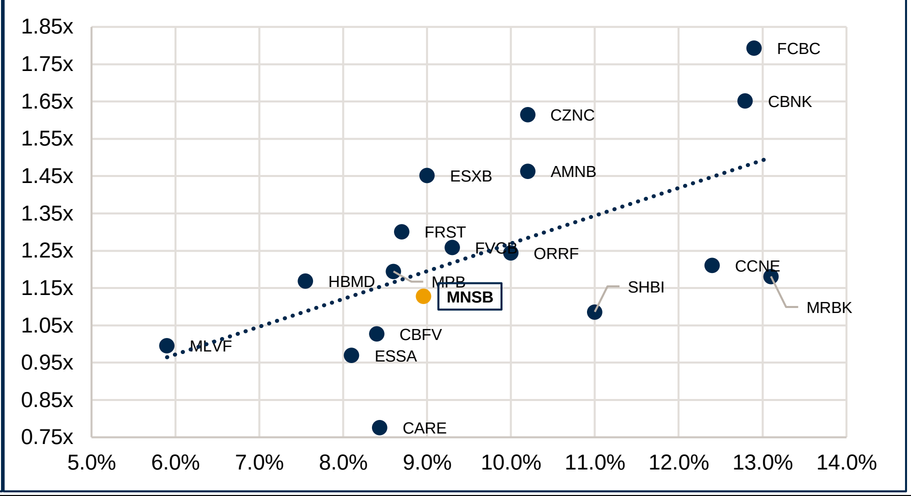
Company Name	Ticker	6/18/21 Price	Market Cap ($M)	Total Assets ($M)	Avg. Daily Volume (000s)	P/E Ratio (1) 2021E	P/E Ratio (1) 2022E	Price/ TBV (%)	Yield (%)	Dividend Payout (%)	ROA (%) 2021	ROA (%) 2022	ROTCE (%) 2021	ROTCE (%) 2022	Rev. Growth (%) 2021	Rev. Growth (%) 2022	Efficiency Ratio
Capital Bancorp, Inc.	CBNK	$20.05	276	2,092	66	10.2x	11.0x	165	0.0	0	1.35	1.32	15.8	12.8	2.9	2.0	67
Community Bankers Trust Corporation	ESXB	$11.27	253	1,699	199	11.8x	14.9x	145	2.1	34	1.28	0.99	12.2	9.0	10.0	-2.8	55
John Marshall Bancorp, Inc.	JMSB	$18.00	227	2,010	3	-	-	130	0.0	0	-	-	-	-	-	-	47
FVCBankcorp, Inc.	FVCB	$17.23	235	1,885	30	12.5x	12.7x	126	0.0	0	1.08	0.97	10.4	9.3	7.1	3.3	53
National Bankshares, Inc.	NKSH	$34.63	215	1,568	23	12.2x	13.2x	116	4.0	53	1.18	1.07	9.9	9.1	6.5	-1.8	52
The Freedom Bank of Virginia	FDVA	$11.80	78	871	3	-	-	114	0.0	0	-	-	-	-	-	-	68
Eagle Financial Services, Inc.	EFSI	$34.52	118	1,185	1	-	-	113	3.1	32	-	-	-	-	-	-	66
Old Point Financial Corporation	OPOF	$24.80	130	1,258	3	-	-	112	1.9	21	-	-	-	-	-	-	74
C&F Financial Corporation	CFFI	$51.31	189	2,169	15	-	-	111	3.1	20	-	-	-	-	-	-	72
First National Corporation	FXNC	$19.54	95	1,028	7	-	-	111	2.5	24	-	-	-	-	-	-	65
Shore Bancshares, Inc.	SHBI	$16.36	192	2,040	47	11.7x	10.1x	109	2.9	38	0.77	0.80	10.6	11.0	35.0	28.4	63
The Community Financial Corporation	TCFC	$34.47	203	2,150	25	8.8x	9.9x	108	1.7	22	1.04	0.98	-	-	-	-	46
MEAN			**184**	**1,663**	**35**	**11.2x**	**12.0x**	**122**	**1.8**	**20**	**1.12**	**1.02**	**11.8**	**10.2**	**12.3**	**5.8**	**61**
MEDIAN			**198**	**1,792**	**19**	**11.7x**	**11.8x**	**113**	**2.0**	**21**	**1.13**	**0.98**	**10.6**	**9.3**	**7.1**	**2.0**	**64**
MNSB	**MNSB**	**$21.66**	**159**	**1,743**	**22**	**11.9x**	**10.6x**	**113**	**0.0**	**0**	**0.83**	**0.95**	**9.0**	**9.0**	**4.7**	**8.5**	**52**
MNSB at price target	**MNSB**	**$25.50**	**159**	**1,743**	**22**	**14.0x**	**12.4x**	**133**	**0.0**	**0**	**0.83**	**0.95**	**9.0**	**9.0**	**4.7**	**8.5**	**52**

1) Based on FactSet consensus data

MNSB vs. NASDAQ Bank Index YTD



MNSB vs. Small Cap Regional Peers



Source: S&P Global, FactSet Research Systems, Company data and Stephens Inc.

Key Modeling Items

- **Margin –** While MNSB's balance sheet is asset sensitive, given it's been over a year since the Fed dropped rates to near-zero, we think the majority of loan yield pressure has taken place with 1Q21 loan yields of 4.85%, down from 5.70% at the peak in 3Q19 and down 4bp Q/Q. On the opposite side, we see opportunity to reprice time deposits lower, costing 1.90% in 1Q21 and compared to a max current rate of 0.50%. Also important, in April, MNSB raised $30 million of sub-debt, costing 3.75%. As a result of these items, we see near-term core NIM pressure (sub-debt), with NIM expansion in the second half of the year. Specifically, we expect the core NIM to decrease 10bp to 3.07% in 2Q21 before rebounding to 3.16% by year end, and 3.24% by year-end 2022. Including an estimated ~$6 million and $0.7 million of PPP income in 2021 and 2022, we anticipate a reported NIM of 3.13% and 3.23%, respectively, up from 3.21% in 2020.

- **Loan Growth –** With a history of strong loan growth (+25% 5 yr. CAGR), we anticipate MNSB will return to better than average loan growth in 2021 with forecasted 7.9% and 9.8% loan growth in 2021 and 2022, respectively. Loan growth is anticipated to come from most all verticals, but driven primarily by CRE and construction loans, expected to increase by 17% and 14% in 2021 and 2022, respectively. Importantly, core loan growth in the most recent quarter equaled 2.3%, highlighted by 6.9% CRE growth. We believe MNSB's core VA/DC markets are on the rebound with pandemic related impacts waning.

- **Fees –** Fee income totaled $7.5 million in 2020, up ~55% Y/Y as loan swap fee income more than tripled to $3.5 million. That said in 1Q21, due to the shape of the yield curve, swap fee income was de minimis. With this in mind, we believe fees are likely to decline in 2021 to $5.6 million before rebounding to $6.4 million in 2021 as swap fees are expected to return. Other drivers of fee income include deposit services fees, anticipated to grow by ~10%-20% per year, BOLI, and other fee income.

- **Expenses –** Given MNSB is a growth-oriented bank, we expect expenses will continue to increase at a mid-single digit clip through 2022. Specifically, for 2021 and 2022, we estimate operating expenses of $31.5 million and $33.2 million, up from $30.3 million in 2020. As measured by efficiency, MNSB operated at a 61% efficiency ratio in 2020, a figure we expect will remain flat in 2021 before declining to 59% in 2022.

- **PPP –** MNSB originated $173 million in 2020 PPP loans, with $87.3 million originated in 2021. At quarter-end, remaining balances equaled $180 million and we estimate remaining fees total ~$4.5 million to $5.0 million, most of which we expect will be recognized before year-end.

- **Capital –** At quarter-end, MNSB operated with a TCE/TA ratio of 8.3%, a CET1 ratio of 14.4%, Tier 1 leverage of 10.9% and total capital ratio 15.5%. In April, MNSB raised $30 million of sub-debt at 3.75%, which counts as tier 2 capital. We believe the new capital will increase the total capital ratio by ~200bp to ~17.5%. Importantly, with PPP loans expected to be forgiven and MNSB expected to generate a high-single digit ROTCE, we expect capital ratios to build through 2022 with the TCE/TA ratio increasing to +10.5% by year-end 2022 providing the company optionality for dividends, share repurchases, acquisitions, or more robust loan growth.

- **Credit –** With deferrals down to zero at year-end and NPAs at 0.08%, we think MNSB has done a solid job on the credit front through COVID. In regard to provisioning, we expect modest provisioning levels through year-end 2022 of $0.1 million to $0.4 million per quarter, leaving the reserve mostly flat at ~$13 million. Given recent credit trends and the improving economy, we would not be surprised if the company books a negative provision in any given quarter and lowers the reserve back towards year-end 2019 levels of 0.92% of total loans. We would note however, that loans considered “Watch Credits” stood at $73.6 million at quarter-end, equaling 5.6% of total loans, up from 0.4% at year-end 2019. Watch credits consisted mostly (56%) of non-owner occupied CRE loans and (26%) construction & land development loans.

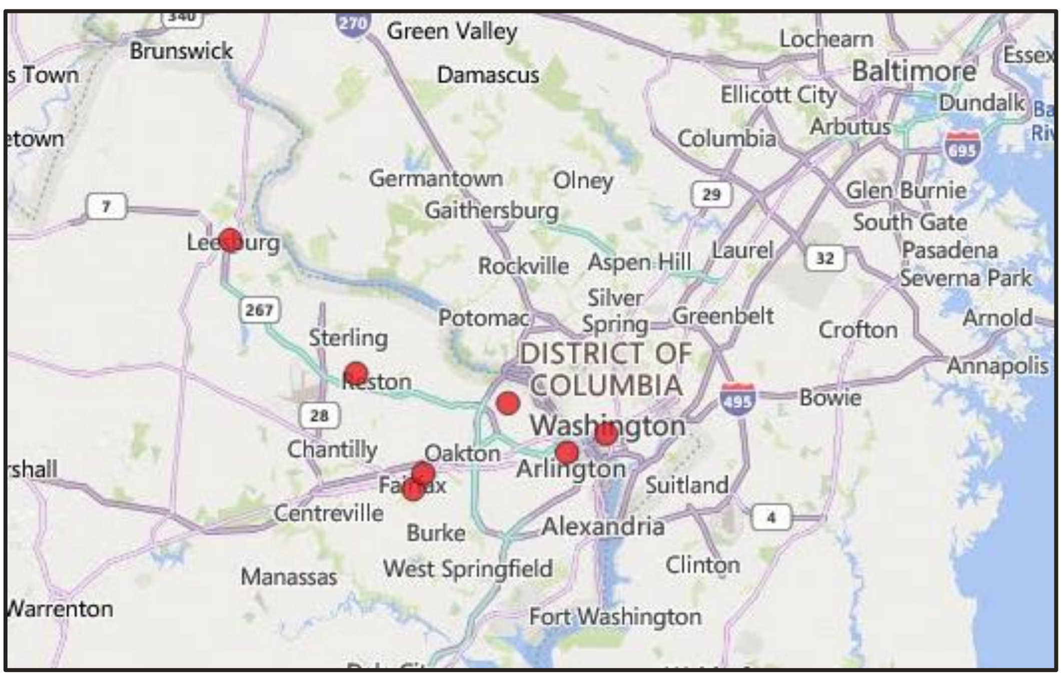
Background and History

MainStreet Bancshares is a $1.7 billion in assets bank, based out of Fairfax, VA. Founded in 2004, the bank is focused on the Washington-Arlington-Alexandria MSA, a wealthier geography with median household incomes well above the national averages. In fact, per the 10-K, the D.C. MSA includes three of the wealthiest counties in the U.S. In addition, the Washington D.C MSA ranks sixth out of the largest 25 MSAs ranked by population growth.

As of 1Q21, the bank operates with $1.3 billion in loans and $1.5 billion in deposits housed across seven branches throughout the greater Northern Virginia markets. MNSB offers a full range of banking services to individuals, small- to medium-sized business and professional services organizations, with 83% of the loan portfolio consisting of commercial loans, including 25% of total loans consisting of construction loans. In terms of profitability, the bank generated a 5 yr. ROA/ROTCE of 0.84%/10.0%, with both metrics nearly in line with regional averages of 0.88% and 9.7%, respectively. The bank is asset sensitive and has demonstrated strong profitability metrics, despite lower rates, with an ROA of 0.90% since mid-2019 vs. the East Coast bank average of 0.93%. In addition, the bank navigated the COVID crisis with minimal credit disruption, managing deferrals down to zero at year-end 2020 vs. the $287 million peak (27% of total loans) to start the year. Furthermore, total net charge-offs from 2015 through 2020 equaled $1.6 million, averaging just 4bp of avg. loans.

Exhibit 4

Branch Map

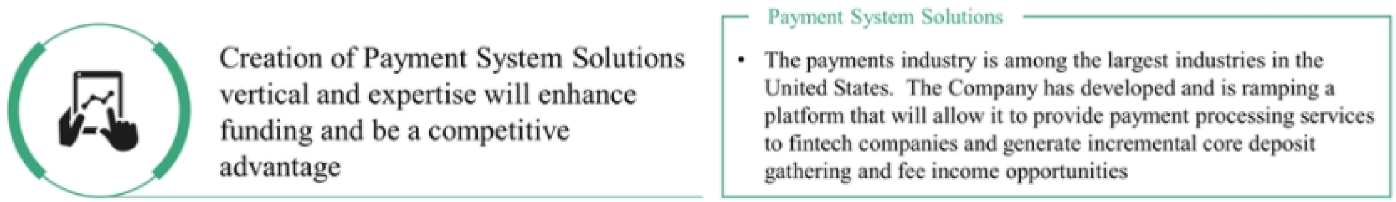


Source: S&P Global

Adopting and leveraging technology is a focus for MainStreet, exemplified through their branch-lite model and strategic plan to include banking customers that require "Banking as a Service" (BaaS) and other payment service solutions, including the "SMART" Payment Plan. Looking ahead, we expect MainStreet to continue to capitalize on its wealthy and growth core Northern VA markets through strong, mid- to high-single digit loan growth, while simultaneously investing in, and seeking out, opportunities in the fintech and payments arena.

Exhibit 5

Dynamic Business Strategy

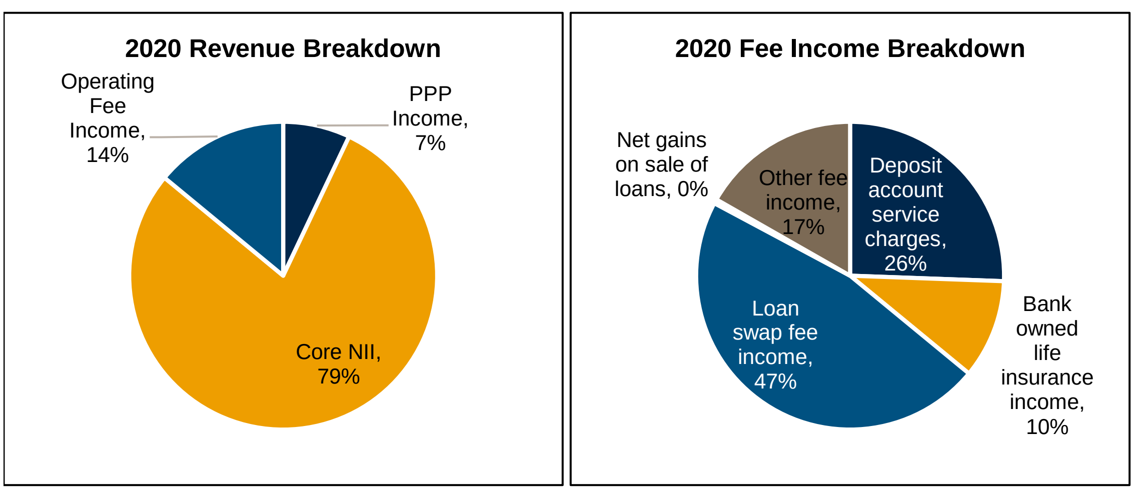


Source: Company Data.

In 1Q21, MNSB posted operating EPS of $0.44 and a 0.78% ROA, including a modest $0.3 million provision. The quarter was highlighted by solid core loan growth of 2.3%, led by CRE balances +6.9%, while the core margin fell to 3.17%, down from 3.23% Q/Q. In addition, core fee income declined to $1.4 million as swap fee income was de minimis, partially offset by higher levels of gain on sale of loans. In addition, for 2020, the bank generated $50 million in operating revenue (ex. PPP income of ~$3.8 million), +12% Y/Y. Operating revenues are mostly comprised of spread income, equaling 85% of total revenues with the remaining 15% consisting of deposit service charges, swap fee income, bank-owned life insurance and "other" income. For 2021 and 2022, ex. PPP income we estimate MNSB will generate operating revenues of $52.1 million and $56.5 million, equaling 4.7% and 8.5% Y/Y revenue growth.

Exhibit 6

Composition of Revenues



Source: Company Data and S&P Global

Looking ahead, given a history of strong loan growth (avg. of ~25% per year over last 5 years), and a strong geography, we expect MNSB to generate strong, mid- to high-single digit loan growth in 2021 coming from all categories, but CRE and construction in particular, are expected to grow by 17% and 6%, respectively. In addition, we believe the core NIM is likely to compress in 2Q21 to 3.07% before rebounding to 3.16% by year end and increasing to 3.24% by year-end 2022, with ~$11.5 million to $12.0 million of core net interest income in 2021, and ~$12 million to $13 million in 2022. Overall, we expect MNSB to generate $1.82 and $2.05 in EPS in 2021 and 2022, respectively. Our 2022 EPS estimates are in line with consensus.

Exhibit 7

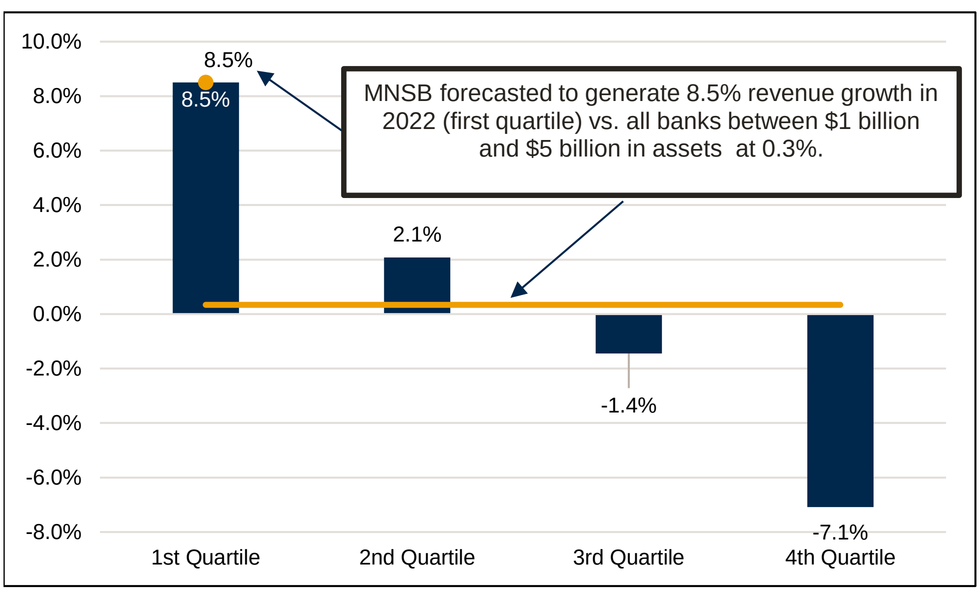
Key Metrics - Outlook

$ in millions	2017	2018	2019	2020	2021E	2022E
Revenue	**$23.8**	**$34.4**	**$44.3**	**$49.7**	**$52.1**	**$56.5**
% Change		*44.8%*	*28.7%*	*12.2%*	*4.7%*	*8.5%*
Expenses	$18.8	$20.0	$25.4	$30.3	$31.5	$33.2
% Change		*6.2%*	*27.0%*	*19.4%*	*4.0%*	*5.3%*
Op. EPS	$0.83	$1.34	$1.69	$1.52	$1.82	$2.05
% Change		*62.4%*	*25.7%*	*-10.0%*	*19.9%*	*12.5%*
TBV / Share	$11.97	$14.83	$16.59	$18.86	$21.34	$23.84
% Change		*23.8%*	*11.9%*	*13.7%*	*13.1%*	*11.7%*
Loans	$660.6	$927.4	$1,042.1	$1,249.4	$1,242.2	$1,312.6
% Change		*40.4%*	*12.4%*	*19.9%*	*-0.6%*	*5.7%*
TCE/TA	8.5%	11.0%	10.7%	8.5%	10.1%	10.7%
ROA	0.61%	0.96%	1.17%	0.80%	0.83%	0.95%
ROTCE	7.5%	9.5%	10.6%	8.6%	9.0%	9.0%
Efficiency	66%	59%	57%	61%	61%	59%

Source: Company data and Stephens Inc.

Exhibit 8

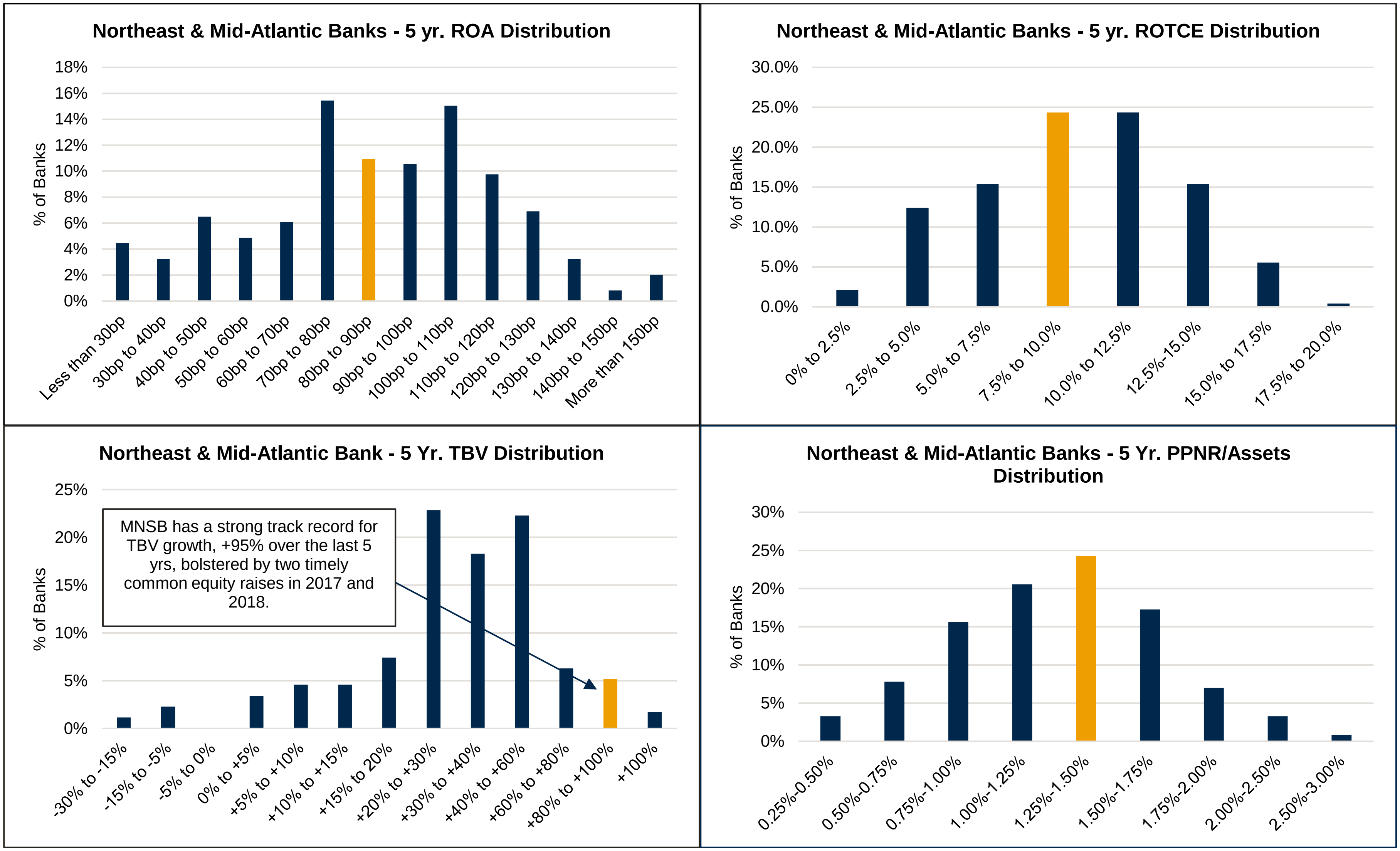
Revenue Growth Outlook



Source: S&P Global, FactSet Research Systems, Company data and Stephens Inc.

Exhibit 9

Profitability and TBV Performance vs. Peers – A Bell Curve Analysis



Source: S&P Global, FactSet Research Systems and Company data

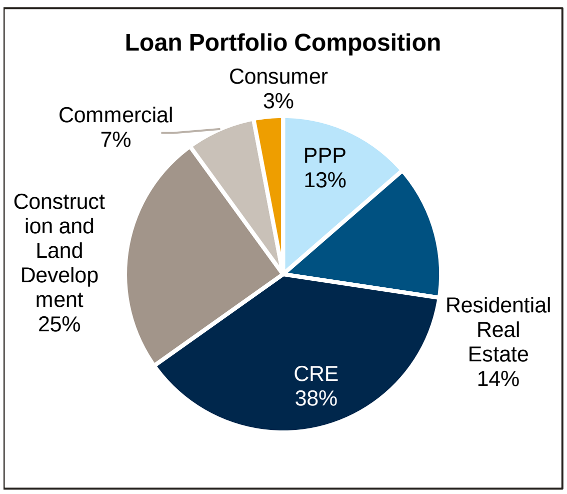
Balance Sheet and Geography

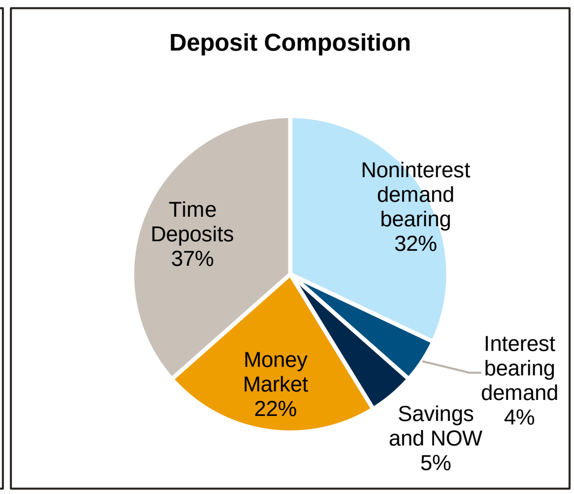
At quarter-end, total assets at MNSB stood at $1.7 billion, +31% Y/Y, due to ~6% organic loan growth, an additional $180 million in loans tied to PPP, and higher levels of cash due to the pandemic. The securities portfolio increased as well, up to $211 million from $131 million Y/Y (+61% Y/Y) and now represents 12% of total assets from 10% Y/Y. Looking ahead, we anticipate continued growth in the securities portfolio of 4% and 6% in 2021 and 2022, respectively, maintaining the securities-to-asset ratios of ~11%-12%.

Total loans equaled $1.3 billion at quarter-end, +23% Y/Y, including $180 million of remaining PPP balances. Excluding PPP, total loans stood at $1.4 billion as of March 31, +6% Y/Y. Organic loan growth has historically been a strength for MNSB with balances increasing at a 5 yr. CAGR of 25%. Commercial real estate and construction loans were the primary drivers of outsized loan growth with balances increasing by 22% and 70% over the last two years, respectively, and now representing 38% and 25% of total loans, respectively. Looking ahead, we expect a more tempered pace of loan growth (ex. PPP) at 7% and 10% in 2021 and 2022, respectively, driven by all segments, but especially CRE and construction expected to increase at by 14%-17% and 6%-10% per year, respectively.

Exhibit 10

Loan and Deposit Composition

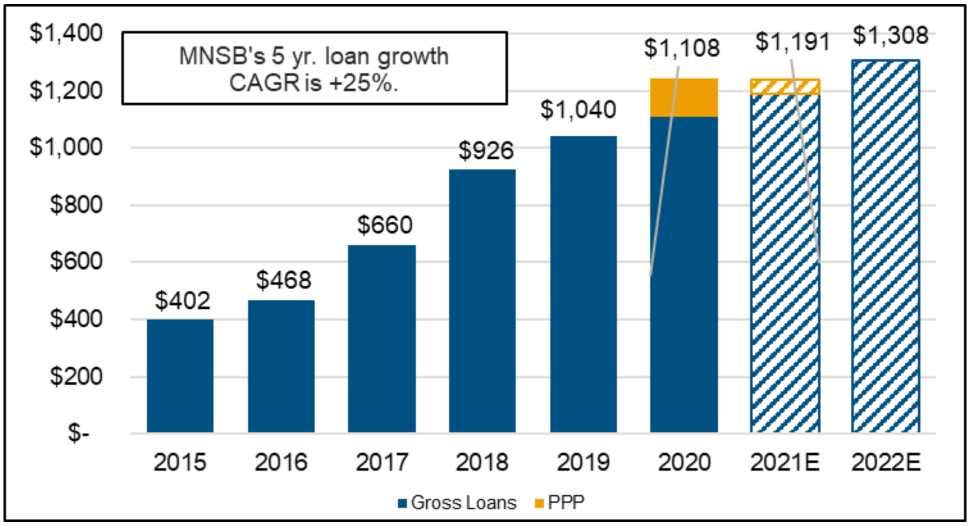




Source: Company Data and S&P Global

Exhibit 11

Loan Growth Outlook



Source: Company Data, S&P Global and Stephens Inc.

We think it's worth noting that MNSB's CRE and construction concentrations, relative to total risk-based capital, stood at 376% and 169% at March 31, ahead of the regulatory "soft thresholds" of 300% and 100%, respectively. Importantly, MNSB has long operated in excess of these thresholds with the CRE/TRBC and ADC/TRBC ratios averaging 357% and 152%, respectively, since 1Q18. In addition, the company has a history of strong credit quality, reporting just $1.9 million of charge-offs over the last five years, averaging just 5bp of avg. loans. That said, in 4Q20 the company opted to sell $57 million of non-owner occupied CRE loans (in held for sale), helping reduce the CRE concentration to 376% from 394% at year-end. In addition, in April the company raised $30 million of sub-debt at a cost of 3.75%. Given sub-debt is considered tier 2 capital, the capital raise is expected to lower the concentration ratio by an additional ~50 percentage points and should help move the CRE/TRBC for 2Q21 down to ~325% and the ADC/TRBC ratio to ~150%. While the sequence of recent events begs the question of whether or not the reduction of concentration ratios was regulator driven/suggested or driven simply by internal strategy, we'd note that MNSB has long operated in excess of regulatory threshold with minimal losses and that while recent actions will lower concentrations to, or below, the 36 month average of 352% and 148% for CRE and ADC, respectively, they are unlikely to lower the ratios below the regulatory soft thresholds of 300% and 100%, respectively. In short, we believe recent actions are management driven vs. regulator.

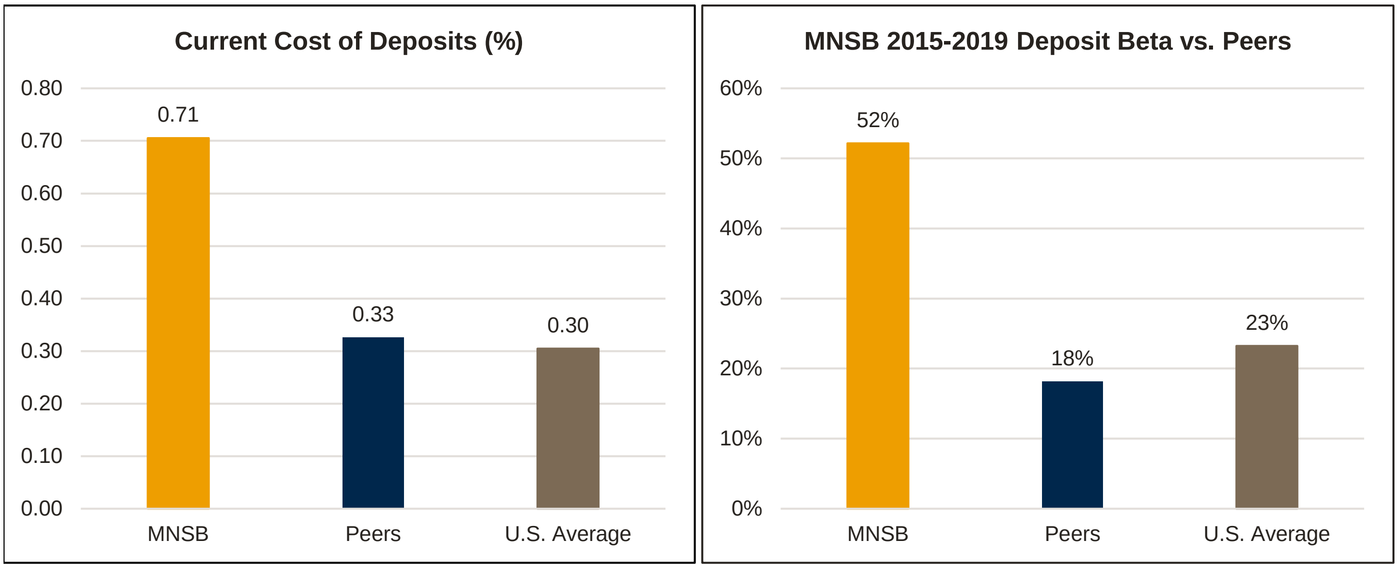
Total deposits stood at $1.5 billion at year-end, +35% Y/Y with growth driven primarily by non-interest bearing deposits, +104% Y/Y. Non-interest bearing deposits stood at 32% of total deposits at quarter-end, while MMA equaled 22% and CDs stood at 37%. While the composition of CDs and money market balances is relatively high, we'd note that MNSB has just 1% borrowings to assets and the loan-to-deposit equaled 86% at period end, down from 94% Y/Y.

Importantly, during the last interest rate hiking cycle from 2015 to 2019, MNSB experienced an elevated deposit beta of 52% with the cost of deposits peaking at 1.85% in 2Q19 from 0.63% in 2Q15, driving the NIM down from 4.25% to 3.20% in 2Q18 before seeing expansion to ~3.50% over the ensuing year. With the Fed lowering rates back to ~0.25% with the onset of the pandemic, the margin has again faced pressure, falling to 3.17% on a core basis in the most recent quarter, down from ~3.50% in mid-2019.

From here, the balance sheet is in an asset sensitive position with NII expected to increase by 11.5% and 25.6% if interest rates were to increase by 100bp and 200bp, respectively. In terms of EPS, this type of interest rate move would increase our 2021 and 2022 EPS estimates by 30% and 66%, respectively, however, our current outlook does not incorporate interest rates rising through 2022.

Exhibit 12

Cost of Deposits and Last Cycle Deposit Beta



Source: S&P Global, Company data, and FactSet Research Systems

Exhibit 13

Interest Rate Sensitivity

Interest Rate Sensitivity - Based on 2022 Estimates
figures in $ mil. unless otherwise noted

Interest Rate Move	Est. Change in Net Interest Income	Percentage	Implication to EPS	% Impact to 2022 EPS Est.	Est. Impact to NIM
+200	$12.8	25.6%	$1.35	65.6%	0.81%
+100	$5.8	11.5%	$0.61	29.6%	0.37%
0	-	-	-	-	-

Source: Company Data, S&P Global and Stephens Inc.

On the M&A front, MNSB has not been active, increasing the balance sheet since its inception in 2004 without a whole bank acquisition and increasing loans at a ~25% CAGR over the last five years. That said, the bank has raised three rounds of equity capital (2014, 2017 and 2018), one issuance of preferred equity in 2020 and two rounds of sub-debt (2006 and 2021).

While the most recent $30 million issuance of sub-debt is expected to increase total risk-based capital, we expect capital as measured by tangible common equity (TCE/TA) to continue to climb over the next two years, ending 2022 at 10.7% vs. 8.5% at year-end 2020. Given the stock's value, trading at ~115% P/TBV and <11x 2022 EPS, we wouldn't be surprised to see the company engage in share repurchases over the next 12-18 months. That said, we think the extent of share repurchases will be limited by CRE concentration ratios, already in excess of regulatory soft thresholds.

Given the consolidating nature of the banking sector, particularly among smaller banks, we think it's worth noting that if MNSB were to sell, we believe the stock would garner a premium. Year-to-date, banks on average have sold for 148% P/TBV, a 5% deposit premium, and 8.6x forward earnings with cost saves. Applying similar metrics to MNSB we think the bank could be sold for $28-$32 p/s, equaling 148%-170% P/TBV, ~8.5x-10.0x 2022 earnings with 35% cost saves, and a ~4.0%-6.5% deposit premium.

Exhibit 14

Terminal Value Analysis

Potential Terminal Value

$mil.

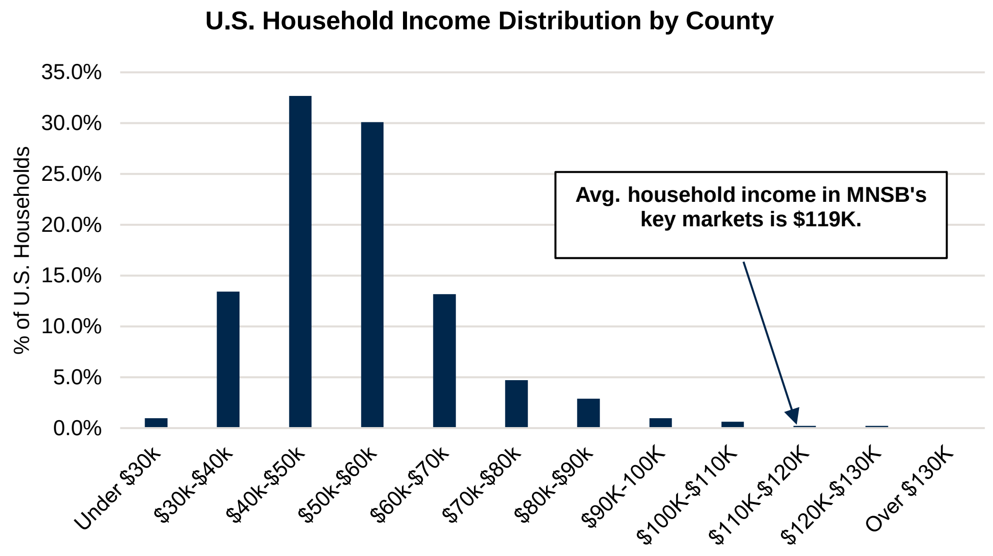
	Potential Takeout Range and Metrics		
Potential Terminal Valuation	**$28**	**$30**	**$32**
Price/current TBV	148%	159%	170%
Implied total deposit premium on adjusted TCE	4.3%	5.3%	6.2%
Est. cost saves in transaction	**35%**	**35%**	**35%**
Est. 2022 expenses	33.2	33.2	33.2
Expense saves as measured by EPS (tax effected)	$1.22	$1.22	$1.22
Current 2022 EPS estimates	$2.05	$2.05	$2.05
Potential earnings w ith cost saves	$3.27	$3.27	$3.27
Price/Earnings	13.6x	14.6x	15.6x
Price/Earnings w ith cost saves	8.6x	9.2x	9.8x

Source: Company data, S&P Global and Stephens Est.

MainStreet operates in some of the wealthiest markets in the United States, with their core markets, consisting of Arlington, Fairfax, Loudoun, Prince Williams and Fairfax City, generating an average household income of $119k vs. the national median of ~$51k. These geographies have a strong growth outlook as well with the state of Virginia and DC's population expected to increase by 3.3% and 6.8% through 2026, respectively vs. the national average at 2.9%. In our view, a strong demographic backdrop will serve as a tailwind for loan and deposit growth over the long term. We think the strong geography should also help MainStreet garner a premium valuation given the desirability from competitors to enter a growing economy via a well-positioned institution.

Exhibit 15

U.S. Household Income Distribution by County



* MNSB's key markets include: Arlington, Fairfax County, Loudoun, Prince William and Fairfax City, VA

Source: Company Data, and ERS.USDA.gov

Exhibit 16

Core Market Demographic Trends

	2010-2021 Population Change (%)	2021-2026 Projected Population Change (%)	2021 Median Household Income ($)	2021-2026 Projected HH Income Change (%)
Virginia				
MNSB Franchise	8.2	3.3	$125,850	7.2
Entire State of Virginia	7.5	3.0	$79,124	9.1
National Average	7.2	2.9	$67,761	9.0
MNSB vs. State Average	*0.7*	*0.3*	*$46,726*	*(1.9)*
MNSB vs. National Average	*1.0*	*0.4*	*$58,089*	*(1.9)*
District of Columbia				
MNSB Franchise	19.3	6.8	$91,414	8.8
Entire State of District of Columbia	19.3	6.8	$91,414	8.8
National Average	7.2	2.9	$67,761	9.0
MNSB vs. State Average	*0.0*	*0.0*	*$0*	*(0.0)*
MNSB vs. National Average	*12.1*	*3.9*	*$23,653*	*(0.2)*

Source: S&P Global and Company data

Exhibit 17

MNSB Deposit Market Analysis			
Market Share Summary	**% of Franchise Deposits**	**Total Market Share (%)**	**Market Share Rank**
State:			
Virginia	99.9%	0.5%	21
District of Columbia	0.1%	0.0%	27
MSA:			
Washington-Arlington-Alexandria, DC-VA-MD-WV	100.0%	0.5%	20
County:			
Fairfax (City), VA	70.9%	22.2%	1
Fairfax, VA	23.6%	0.4%	19
Loudoun, VA	2.8%	0.4%	19
Arlington, VA	2.6%	0.4%	20
Washington, D.C.	0.1%	0.0%	27

Source: S&P Global Market Intelligence

PPP - In PPP rounds I and II, MNSB originated $173 million at the peak, equaling 0.03% share of the entire program with ~$525 billion in loans originated as of August 2020. Compared to its U.S. deposit market share of 0.01%, MNSB outpunched its weight by a factor of +3x. Compared to peers, this stacks up as higher than the average at 2.5x.

Exhibit 18

MNSB PPP Share Analysis

MNSB vs. Comps in PPP Performance
figures in mil. unless otherwise noted

				Deposit Market Share				
Company Name	**Ticker**	**Total Assets (Reported)**	**Peak PPP (appx.)**	**Deposits in U.S.**	**U.S. Deposit Mkt. Share**	**Peak PPP Loans**	**Market Share of PPP**	**PPP Share vs. Deposit Share**
The Freedom Bank of Virginia	FDVA	$767.05	$107	$488	0.00%	$107	0.02%	5.8x
Capital Bancorp, Inc.	CBNK	$1,876.59	$233	$1,610	0.01%	$233	0.04%	3.8x
FVCBankcorp, Inc.	FVCB	$1,821.48	$170	$1,519	0.01%	$170	0.03%	2.9x
Old Point Financial Corporation	OPOF	$1,226.19	$104	$1,014	0.01%	$104	0.02%	2.7x
Eagle Financial Services, Inc.	EFSI	$1,130.15	$88	$908	0.01%	$88	0.02%	2.5x
John Marshall Bancorp, Inc.	JMSB	$1,885.50	$148	$1,565	0.01%	$148	0.03%	2.5x
First National Corporation	FXNC	$950.93	$74	$854	0.01%	$74	0.01%	2.3x
Shore Bancshares, Inc.	SHBI	$1,933.32	$127	$1,509	0.01%	$127	0.02%	2.2x
The Community Financial Corporatior	TCFC	$2,026.44	$128	$1,673	0.01%	$128	0.02%	2.0x
Community Bankers Trust Corporatic	ESXB	$1,644.81	$85	$1,364	0.01%	$85	0.02%	1.6x
C&F Financial Corporation	CFFI	$2,086.31	$90	$1,646	0.01%	$90	0.02%	1.4x
National Bankshares, Inc.	NKSH	$1,519.67	$56	$2,457	0.02%	$56	0.01%	0.6x
MainStreet Bancshares, Inc.	MNSB	$1,643.17	$173	$1,345	0.01%	$173	0.03%	3.4x
Total US PPP - Rounds I & II		$525,012						

Source: S&P Global Market Intelligence

Management Background

Jeff W. Dick – Chairman and CEO – age 60 – Mr. Dick is the Chairman and Chief Executive Officer of the MainStreet Bancshares, joining in April 2003. Mr. Dick also served as President of the Company and the Bank until January 2017 when Mr. Brockett joined the organization. From 1999 until January 2003, he served in various positions at Millennium Bank, N.A., including Executive Vice President and as a member of the Board of Directors. Prior to this, Mr. Dick was an advisor to the Bank of England and Financial Services Authority from 1996 to 1999. Mr. Dick began his banking career with the Office of the Comptroller of the Currency in 1983 as a Field Examiner, and he became a Field Manager in Washington, D.C. in 1993. Mr. Dick served on the boards of ICBA Services and ICBA Bancard. He is a past Chairman of the Virginia Association of Community Banks. Mr. Dick was a member of the Federal Reserve Bank of Richmond Payments Advisory Council, The Clearing House Real Time Payments (RTP) Advisory Committee, and the Federal Delegates Board of the Independent Community Bankers of America. He has a Diploma of the Imperial College London in Management and a B.S.B.A. in both accounting and management from the University of North Dakota. Mr. Dick earned his Executive M.B.A. (with distinction) from the University of London Imperial College of Science, Technology and Medicine.

Chris Brockett – President – age 57 – Mr. Brockett joined MainStreet Bancshares as President and Director in January 2017, currently serving just as President. Prior to joining the Company, Mr. Brockett was Executive Vice President, Director of Operations at Eagle Bank. Mr. Brockett held this position beginning in November 2014 (following Eagle Bancorp's completion of its acquisition of Virginia Heritage Bank) until May 2016. In this role, Mr. Brockett had direct oversight responsibility for all of the retail banking operations, deposit and loan operations, information technology, residential lending operations, marketing, customer service, and facilities. His tenure at Virginia Heritage Bank began in 2004 where he was one of the initial founders and worked throughout the entire initial capital raise, regulatory application, and ultimate opening in November of 2005. He served on the Board of Directors throughout the bank's existence as well as Chief Financial Officer, and in 2010 assumed the role of Chief Operating Officer. At the time of its acquisition by Eagle Bancorp, Virginia Heritage Bank had grown to approximately $950 million in total assets with five branches. From 1998 until 2005, Mr. Brockett was Managing Partner of Enterprise Financial Consulting, a Northern Virginia-based financial consulting firm which he founded in 1998. The firm specialized in the areas of accounting, finance, and corporate governance such as compliance with the Sarbanes-Oxley Act of 2002. His clients included financial institutions, and technology and other middle market companies.

Thomas Chmelik – Senior Ex. Vice President, CFO and Director – age 58 – Mr. Chmelik is the Senior Executive Vice President and Chief Financial Officer of MainStreet Bancshares, joining in April 2003. Mr. Chmelik also serves as a Director on the Board. From 1998 to 2002, he was the Chief Financial Officer and a Director for Millennium Bancshares Corporation and Millennium Bank, N.A. Prior to that, he served as the Chief Financial Officer as part of a World Bank initiative during the restructuring of The National Bank of Commerce, the largest commercial bank in Tanzania, Africa from 1995 to 1998. Mr. Chmelik was the Chief Financial Officer for Colombo Bank in Bethesda, Maryland from 1993 to 1995, and he was the Chief Financial Officer for Franklin National Bank of Washington, D.C. from 1989 to 1993. Mr. Chmelik has a B.A. in accounting from Belmont Abbey College.

Exhibit 18

Companies Mentioned

Companies Mentioned		
Company Name	**Ticker**	**6/18/2021**
Capital Bancorp, Inc.	CBNK	$20.05
C&F Financial Corporation	CFFI	$51.31
Eagle Financial Services, Inc.	EFSI	$34.35
Community Bankers Trust Corporation	ESXB	$11.27
The Freedom Bank of Virginia	FDVA	$11.80
FVCBankcorp, Inc.	FVCB	$17.23
First National Corporation	FXNC	$19.54
John Marshall Bancorp, Inc.	JMSB	$18.00
MainStreet Bancshares, Inc.	MNSB	$21.66
National Bankshares, Inc.	NKSH	$34.63
Old Point Financial Corporation	OPOF	$24.80
Shore Bancshares, Inc.	SHBI	$16.36
The Community Financial Corporation	TCFC	$34.47

Source: S&P Global Market Intelligence

MainStreet Banchsares, Inc. (MNSB)

Summary Earnings Model	2020E				2021E				2022E							
	1Q20A	2Q20A	3Q20A	4Q20A	1Q21A	2Q21E	3Q21E	4Q21E	1Q22E	2Q22E	3Q22E	4Q22E	2019A	2020A	2021E	2022E
Income Statement ($M)																
Avg. Earning Assets	1,268.9	1,412.6	1,474.7	1,553.7	1,603.2	1,645.6	1,578.5	1,558.7	1,554.2	1,567.2	1,587.8	1,611.6	1,128.6	1,427.5	1,596.5	1,580.2
Net Interest Income (FTE)	10.3	10.7	11.9	13.1	13.5	13.5	13.0	13.0	12.6	12.7	12.9	13.1	39.4	46.0	53.0	51.3
Fee Income	1.4	1.3	2.9	1.9	1.5	1.3	1.3	1.5	1.6	1.6	1.6	1.6	4.9	7.5	5.6	6.4
Total Revenues	11.7	12.0	14.7	15.0	14.9	14.8	14.3	14.5	14.1	14.3	14.5	14.8	44.3	53.5	58.5	57.7
Noninterest Expense	7.1	7.4	7.6	8.2	7.8	7.8	7.9	8.0	8.1	8.2	8.4	8.5	25.4	30.3	31.5	33.2
Loan Loss Provision	0.4	5.6	0.6	-3.0	0.3	0.1	0.1	0.3	0.3	0.3	0.4	0.4	1.6	3.6	0.8	1.4
Op. Pretax Income (FTE)	4.2	-0.9	6.5	9.8	6.8	7.0	6.2	6.2	5.7	5.7	5.8	5.9	17.3	19.6	26.2	23.1
Taxes	0.8	-0.3	1.3	2.1	1.3	1.5	1.3	1.3	1.2	1.2	1.2	1.2	3.4	3.8	5.4	4.9
Reported Net Inc. to Common	3.5	-0.6	5.2	7.7	5.5	5.5	4.9	4.9	4.5	4.5	4.6	4.7	13.9	15.7	20.8	18.3
Operating Net Inc. to Common	3.5	-1.3	4.3	6.3	3.8	3.9	3.9	4.0	4.1	4.3	4.4	4.6	13.9	12.8	15.7	17.3
Reported EPS	$0.42	($0.08)	$0.63	$0.92	$0.65	$0.67	$0.59	$0.59	$0.54	$0.54	$0.54	$0.56	$1.69	$1.89	$2.51	$2.18
Operating EPS	$0.42	($0.16)	$0.52	$0.74	$0.44	$0.46	$0.45	$0.47	$0.48	$0.50	$0.52	$0.55	$1.69	$1.52	$1.82	$2.05
Real EPS	$0.45	$0.25	$0.68	$0.77	$0.69	$0.66	$0.58	$0.58	$0.54	$0.54	$0.56	$0.58	$1.76	$2.16	$2.51	$2.22
Real Op. EPS	$0.45	$0.33	$0.79	$0.95	$0.91	$0.87	$0.72	$0.70	$0.59	$0.58	$0.58	$0.59	$1.76	$2.52	$3.20	$2.34
EOP Balance Sheet ($M)																
Cash & Cash Equivalents	72.8	76.4	127.6	107.5	170.0	155.6	140.0	126.0	121.7	117.6	117.6	117.6	64.8	107.5	126.0	121.7
Securities	131.1	120.7	146.6	174.6	211.1	176.6	179.3	182.0	184.8	187.6	190.5	193.5	122.9	174.6	182.0	193.5
Gross Loans	1,072.1	1,280.5	1,301.7	1,249.4	1,320.3	1,257.6	1,247.9	1,242.2	1,251.8	1,271.0	1,291.2	1,312.6	1,042.1	1,249.4	1,242.2	1,312.6
Loan Loss Reserves	9.9	13.7	14.3	12.9	13.2	13.1	13.0	12.9	12.9	12.9	13.1	13.3	9.6	12.9	12.9	13.3
Intangibles	4.8	7.5	8.6	9.6	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	5.4	9.6	9.3	9.3
Total Assets	1,329.7	1,528.9	1,630.2	1,643.2	1,743.0	1,634.7	1,612.4	1,595.8	1,604.1	1,622.3	1,645.6	1,670.1	1,278.0	1,643.2	1,595.8	1,670.1
Deposits	1,143.2	1,342.3	1,417.0	1,438.2	1,538.1	1,395.1	1,332.5	1,286.0	1,271.7	1,266.2	1,261.1	1,256.5	1,072.3	1,438.2	1,286.0	1,256.5
Borrowings	24.8	24.8	14.8	14.8	14.8	46.3	81.5	106.5	124.4	143.4	167.1	191.3	54.8	14.8	106.5	191.3
Tangible Common Equity (TCE)	140.3	140.2	145.7	140.4	144.9	150.4	155.5	160.5	165.2	169.8	174.5	179.4	137.0	140.4	160.5	179.4
Tangible Book Value / Share	$16.98	$16.96	$17.61	$18.86	$19.26	$19.99	$20.66	$21.34	$21.95	$22.57	$23.20	$23.84	$16.59	$18.86	$21.34	$23.84
Cash & Securities / Assets	5.5%	5.0%	7.8%	6.5%	9.8%	9.5%	8.7%	7.9%	7.6%	7.2%	7.1%	7.0%	5.1%	6.5%	7.9%	7.3%
Loans / Deposits	93.8%	95.4%	91.9%	86.9%	85.8%	90.1%	93.6%	96.6%	98.4%	100.4%	102.4%	104.5%	97.2%	86.9%	96.6%	104.5%
Borrowings / Assets	1.9%	1.6%	0.9%	0.9%	0.9%	2.8%	5.1%	6.7%	7.8%	8.8%	10.2%	11.5%	4.3%	0.9%	6.7%	11.5%
TCE / Tangible Assets	10.55%	9.17%	8.94%	8.54%	8.31%	9.20%	9.64%	10.06%	10.30%	10.47%	10.61%	10.74%	10.72%	8.54%	10.06%	10.74%
Profitability																
PTPP ROAA	1.40%	1.05%	1.53%	1.24%	1.20%	1.19%	1.24%	1.34%	1.38%	1.41%	1.45%	1.49%	1.59%	1.30%	1.24%	1.43%
Operating ROAA	1.06%	-0.36%	1.09%	1.39%	0.78%	0.82%	0.84%	0.89%	0.91%	0.94%	0.96%	0.99%	1.17%	0.80%	0.83%	0.95%
Operating ROTCE	9.9%	-3.7%	11.8%	16.2%	9.1%	9.2%	8.8%	8.9%	8.8%	8.9%	9.0%	9.2%	10.6%	8.6%	9.0%	9.0%
Efficiency Ratio	61.0%	66.2%	55.9%	61.7%	60.6%	60.8%	61.1%	59.8%	59.6%	59.1%	58.6%	57.9%	57.3%	61.2%	60.6%	58.8%
Credit Quality																
LLRs / Loans	0.92%	1.07%	1.10%	1.03%	1.00%	1.04%	1.04%	1.04%	1.03%	1.02%	1.01%	1.01%	0.92%	1.03%	1.04%	1.01%
LLRs / NPAs	700%	554%	508%	968%	994%	493%	392%	311%	366%	430%	484%	546%	799%	968%	311%	546%
NCOs / Avg Loans	0.01%	0.59%	0.01%	-0.46%	-0.01%	0.05%	0.07%	0.12%	0.10%	0.10%	0.07%	0.05%	0.09%	0.03%	0.06%	0.08%
NPAs / (Loans + OREO)	0.13%	0.19%	0.22%	0.11%	0.10%	0.21%	0.27%	0.33%	0.28%	0.24%	0.21%	0.19%	0.12%	0.11%	0.33%	0.19%

Sources: Company reports, S&P Global Market Intelligence and Stephens Inc. estimates

Managing Director - Matthew Breese (401) 658.1114 matt.breese@stephens.com

APPENDIX A

ANALYST CERTIFICATION

REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of MainStreet Bancshares, Inc. as of the date of this report and may act as principal in these transactions.

Stephens Inc. has received compensation for products or services other than investment banking services from MainStreet Bancshares, Inc. in the past 12 months.

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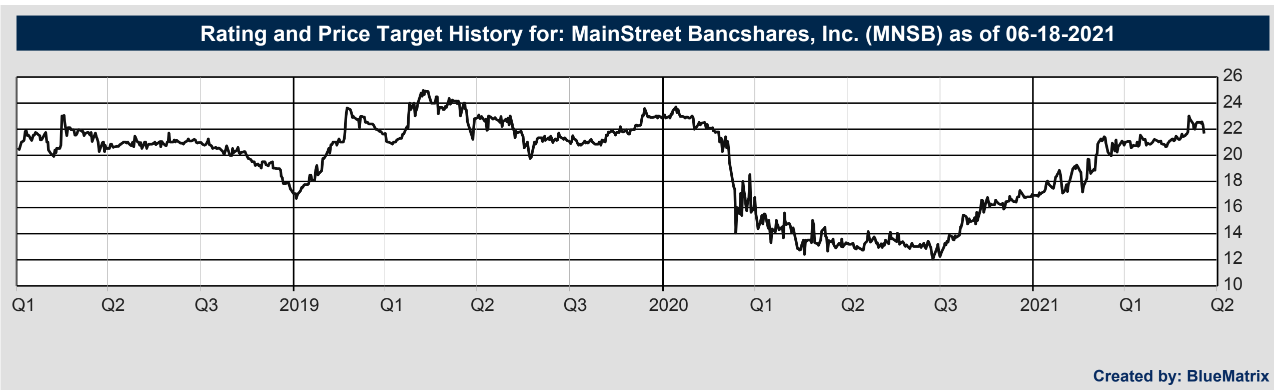
Stephens Inc. expects to receive or intends to seek compensation for investment banking services from MainStreet Bancshares, Inc. in the next three months.



Valuation Methodology for MainStreet Bancshares, Inc.

Our primary valuation methodologies consist of a price-to-tangible book value and/or a price-to-forward earnings.

Risks to Achievement of Target Price for MainStreet Bancshares, Inc.

Company Specific Risks:

- **Interest Rate Risk** – MNSB is an asset sensitive bank and a risk factor to forward earnings is the shape of the yield curve and Fed policy in regard to rate hikes/cuts. If rates were to fall, or the shape of the yield curve were to further flatten, MNSB's earnings power may be negatively impacted due to a faster repricing of assets vs. liabilities.
- **Policy/Regulatory Risk** - The policies and regulations of banks are always evolving. FCF's ability to control costs associated with such changes could impact earnings and the overall stock price performance.
- **Deal Risk** – We view the pricing, execution and reception of bank M&A as a key risk factor to both the fundamentals of the bank and the value of the overall company. Poor integration, pricing, and/or execution can lead to increased earnings, credit and stock price volatility.
- **Liquidity** - With just over a $150 million market cap, MNSB is a relatively unknown story with just one other sell-side analyst providing EPS estimates. In addition, the stock is illiquid, trading just ~15k shares or ~$350k per day. We believe the lack of sell-side coverage and illiquid nature of the stock are valuation headwinds.
- **Concentrations** - At quarter-end, MNSB was operating with a CRE to total risk-based capital ratio of 376% and an ADC to total risk-based capital ratio of 169%, ratios in excess of regulatory soft thresholds of 300% and 100%, respectively. Elevated concentration ratios could draw increased regulatory scrutiny. In addition, we believe elevated concentrations will act as an inhibitor to capital management.
- **Credit Risk** – While MNSB has done a solid job working pandemic related deferrals down to de minimis levels, further delays in mass vaccination, repeat local/national shutdowns, or delays in general "return to normal" behaviors by the consumer and business customers alike could place additional pressure on asset quality and could lead to credit quality deterioration, NPAs, and/or charge-offs.

Industry Risks:

- **Policy Risks/Political Risks** – The banking industry is one of the most heavily regulated segments of the market. Policy changes (i.e. Dodd Frank Act) can result in increased earnings, credit and stock price volatility. In addition, local and national elections can impact bank fundamentals with recent examples including tax reform and de-regulation.

- **Economic and Credit Risk** – Economic factors, both national and local, including GDP, unemployment, productivity, and real estate values can meaningfully impact a bank's ability to grow and perform with low levels of credit losses. Disruption to the aforementioned metrics along with many others could result in increased earnings and credit volatility.
- **Cybersecurity** – In an ever-evolving technological landscape we note the risk of breaches to customers or important bank level data and the associated costs.

Ratings Definitions

OVERWEIGHT (O) - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. EQUAL-WEIGHT (E) - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. UNDERWEIGHT (U) - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. VOLATILE (V) - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

Distribution of Stephens Inc. Ratings

			IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [OW]	270	58.70	62	22.96
HOLD [EW]	185	40.22	38	20.54
SELL [UW]	5	1.09	0	0.00

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RESEARCH DEPARTMENT DIRECTORY

Stephens

Head of Institutional Equities: Nik Fisken, Executive Vice President (501) 377-6335
Director of Research: Kyle Evans, Managing Director (501) 377-6376
Executive Assistant: Dena Page (501) 377-6368

CONSUMER

Consumer Staples, Food & Agribusiness, Grocery/C-Store

Ben Bienvenu, Analyst (501) 377-8511
Jack Hardin, Associate (501) 377-8065
Leigh Ann Moseley, Assistant (501) 377-2250

Restaurants

James Rutherford, Analyst (501) 377-8221
Tyler Prause, Associate (501) 377-2257
Leigh Ann Moseley, Assistant (501) 377-2250

Retail/Broadlines

Daniel Imbro, Analyst (501) 377-2055
Andrew Ryan, Associate (501) 377-8518
Leigh Ann Moseley, Assistant (501) 377-2250

Retail/Hardlines

Rick Nelson, CFA, CPA, Analyst (312) 292-5768
Nicholas Zangler, CFA, Analyst (312) 292-5753
Katie Cartwright, Assistant (501) 377-2057

FINANCIAL SERVICES

Banks-East Coast/Northeast

Matt Breese, Analyst (401) 658-1114
Zach Westerlind, Senior Associate (774) 276-2172
Leigh Ann Moseley, Assistant (501) 377-2250

Banks-East Coast/Mid-Atlantic and Southeast

Brody Preston, CFA, Analyst (207) 808-5900
Samuel Varga, Associate (207) 808-5026
Leigh Ann Moseley, Assistant (501) 377-2250

Banks-Southern

Matt Olney, CFA, Analyst (501) 377-2101
Jordan Ghent, Associate (501) 377-3740
Thomas Wendler, Associate (501) 377-2265
Dena Page, Executive Assistant (501) 377-6368

Banks-Super-Regional & Midwest

Terry McEvoy, CFA, Analyst (207) 808-5025
Brandon Rud, Associate (207) 808-5902
Leigh Ann Moseley, Assistant (501) 377-2250

Banks-West Coast

Andrew Terrell, CFA, Analyst (501) 377-2303
Jon Walther, Associate (501) 377-8175
Dena Page, Executive Assistant (501) 377-6368

Real Estate Services

John Campbell, Analyst (501) 377-6362
James Hawley, Associate (262) 443-7162
Austin Hayes, Associate (501) 377-8519
Leigh Ann Moseley, Assistant (501) 377-2250

Specialty Finance

Vincent Caintic, CFA, Analyst (646) 620-7702
Morgan O'Donovan, Senior Associate (954) 540-8186
Katie Cartwright, Assistant (501) 377-2057

HEALTHCARE

Diagnostics and Life Science Tools

Jacob Johnson, CFA, Analyst (615) 279-4355
Mason Carrico, CFA, Senior Associate (214) 258-2712
Steven Etoch, Associate (214) 258-2797
Leigh Ann Moseley, Assistant (501) 377-2250

Healthcare IT

Scott Schoenhaus, Analyst (212) 891-1707
Daniel Breen, Associate (501) 377-3773
Katie Cartwright, Assistant (501) 377-2057

Healthcare Services

Scott Fidel, Analyst (212) 891-1788
Caleb Ezell, Associate (601) 402-4836
Raj Kumar, Associate (501) 377-8033
Leigh Ann Moseley, Assistant (501) 377-2250

Medical Devices & Hospital Supply

Chris Cooley, CFA, Analyst (501) 377-2516
Ross Osborn, Senior Associate (336) 575-8592
Benjamin Mee, Associate (501) 377-8082
Leigh Ann Moseley, Assistant (501) 377-2250

INDUSTRIALS and ENERGY

Agriculture, Food & Ag Technology, and Paper and Wood Products

Mark Connelly, Analyst (212) 891-1781
John Rider, CPA, Associate (212) 891-1778
Katie Cartwright, Assistant (501) 377-2057

Building Materials

Trey Grooms, Analyst (501) 377-2318
Noah Merkousko, Associate (501) 377-8506
Matthew Ward, Associate (501) 377-2562
Dena Page, Executive Assistant (501) 377-6368

Electrical Equipment/Multi-Industry, Distribution

Tommy Moll, Analyst (501) 377-6306
Cole Couzens, Associate (501) 377-8056
Cameron Lochridge, Associate (713) 993-4212
Katie Cartwright, Assistant (501) 377-2057

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Gail Nicholson Dodds, Analyst (301) 904-7466
Raleigh Barnes, Associate (501) 377-2532
Dena Page, Executive Assistant (501) 377-6368

Transportation/Airfreight & Surface Transportation

Jack Atkins, Analyst (501) 377-2298
Cameron Hoglund, Associate (501) 377-8053
Wade Schaller, Associate (501) 377-8564
Katie Cartwright, Assistant (501) 377-2057

Transportation/Railroads and Equipment Suppliers

Justin Long, Analyst (501) 377-2036
George Sellers, Associate (501) 377-2065
Katie Cartwright, Assistant (501) 377-2057

TECHNOLOGY, MEDIA, AND TELECOMMUNICATIONS

Media/Advertising Technology

Kyle Evans, Analyst (501) 377-6376
Michael Newton, Associate (501) 377-2220
Leigh Ann Moseley, Assistant (501) 377-2250

Security Software

Brian Colley, Analyst (214) 258-2771
Ryan Lountzis, Associate (610) 401-1083
Katie Cartwright, Assistant (501) 377-2057

EDITORIAL

Kelley Wilkins, Managing Supervisory Analyst (501) 377-2020
Martha Graham, Supervisory Analyst (501) 377-2260
Natacha Hammerstad, Supervisory Analyst (713) 993-4233
Jennifer Keeling, Supervisory Analyst (501) 377-8004
Kat Versfelt, Editor (817) 900-5700

Stephens

111 Center Street • Little Rock, Arkansas 72201 • (800) 643-9691
www.stephens.com

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