

# 2018 ANNUAL REPORT



 MainStreetBancshares, Inc.



# FROM THE CHAIRMAN



Dear Shareholder:

**M**ainStreet Bancshares, Inc. and MainStreet Bank had a great 2018. We grew our balance sheet 36%, finishing the year at \$1.1 billion. Our net income increased 137% over the previous year—which is especially worth noting considering we provisioned \$3.1 million to the loan loss reserve to compensate for our very strong balance sheet growth.

During August, we wrapped up a 60% over-subscribed private placement totaling \$45 million that was instantly accretive to our book value. Once we completed the private placement, the Board set a course to file a Form 10 Registration Statement with the Securities and Exchange Commission (SEC) and list our stock on the Nasdaq Capital Market.

On April 18, 2019 our Form 10 Registration was declared effective by the SEC. On April 24, 2019 our shares of stock began trading on the Nasdaq Capital Market.

Our vibrant local economy along with consolidation in our industry resulted in great loan growth and great additions to the MainStreet team. We have a healthy balance sheet as well as good systems and people in place to manage existing and future opportunities. We remain well-capitalized and well-poised for the future.

Your Bank continues to invest in advanced technology to provide customers with a secure and convenient online and mobile experience. We are also gearing up

to open our seventh branch, which will be our first branch located in Washington, DC.

Your engaged Board of Directors continues to provide exceptional corporate governance and strategic direction to the management team.

The future remains bright for MainStreet. We look forward to pursuing opportunities for continued growth and prosperity. We thank you for the trust you place in MainStreet Bancshares, Inc. We remain determined to exceed our customers' expectations. And, with our great team of banking professionals, I feel certain we will continue to do so.

If you bank with us, please accept my heartfelt thanks. If you haven't experienced the superior service provided by the MainStreet team, please give us a chance to show you how good your banking experience can be.

Thank you for your continued investment and support.

Sincerely,

**Jeff W. Dick**  
Chairman and CEO

## Board of Directors



**Jeff W. Dick**  
Chairman and CEO  
MainStreet Bancshares, Inc.  
MainStreet Bank



**Chris Brockett**  
President  
MainStreet Bancshares, Inc.  
MainStreet Bank

Our success is attributable to the strategic direction and oversight of the Board of Directors, who meet regularly to review our policies and strategies to ensure effective corporate governance and sustainable responsible growth. Ultimately, the Bank's customers benefit from our strong, independent Board of Directors.



**Thomas J. Chmelik**  
Secretary, Sr. EVP and CFO  
MainStreet Bancshares, Inc.  
MainStreet Bank



**Russel Echlov**  
Senior Portfolio Manager  
Mendon Capital Advisors/RMB  
Capital



**Darrell Green**  
Founder  
Darrell Green Enterprises, Inc.



**Tom Haddock**  
President  
Azure, Inc.



**Betsy Johns**  
Partner and CFO  
National Realty Partners LLC  
(NRP)



**Patsy Rush**  
Senior Vice President (Ret)  
MainStreet Bank



**Terry M. Saeger**  
Chief Executive Officer  
DirectRM

## Leadership Team



**Jacob Hutchinson**  
Executive Vice President  
Chief Operating Officer



**Abdul Hersiburane**  
Executive Vice President  
Director of Business  
Development

Our Leadership Team engages in the executive decision-making processes that help take the Bank on the path to success. Working with the CEO, President, CFO, and other senior level officers, each member of this talented and determined team boasts decades in their fields of expertise.



**Mike Rudolph**  
Executive Vice President  
Senior Lender



**Bruce Gemmill**  
Senior Vice President  
Chief Marketing Officer



**Richard Johnson**  
Senior Vice President  
Chief Consumer Lending  
Officer



**Chris Johnston**  
Senior Vice President  
Chief Risk Officer



**Lisa Kilgour**  
Senior Vice President  
Chief Information Officer



**Jimmy Olevson**  
Senior Vice President  
Chief Lending Officer



**Susan Templeton**  
Senior Vice President  
Chief of Staff



Front row, left to right: David Murrell; Katie Tzitzouris; Kamaljit Brar; April Barrett. Back row, left to right: Sean Mitchell; Mirabbos Xamidov; Abdul Hersiburane, EVP/Director of Business Development; Travis Tate; Tommy Cary; Levon Ananyan; Steve Carrion and Eddie Nam.



## BUSINESS BANKERS

The Business Bankers at MainStreet Bank are experts in all aspects of banking and cash management. Through their personalized attention to each client's individual financial needs, our Business Bankers help businesses achieve greater efficiency in managing their debt, receivables, payables, cash on hand, and liquidity. By streamlining cash management with specific processes, customers generally control costs and have more cash on hand.

MainStreet Bank boasts secure, convenient mobile and online banking technology ensuring a superb customer experience. Business Bankers work closely with each customer to analyze which products and services best compliment the strategies and goals of their business. The difference setting MainStreet Bank apart from other community banks is the investment we place in hiring personal and professional Business Bankers and staying current with the latest financial technology.









## LENDERS

**M**ainStreet Bank's loan officers have a comprehensive awareness of all lending products offered by the Bank and the Small Business Administration (SBA). Our loan officers are seasoned and experienced and will customize a solution ideally suited to the unique needs of each customer.

As a community bank, MainStreet Bank believes in establishing strong personal relationships with each client. From the outset, our loan officers work alongside the Business Bankers to get to know each customer to provide a perfect solution. Our strength is our unparalleled ability to execute a transaction on time, every time.

Left to right: Tom Floyd; Shanton Kittler; Billy Freesmeier; Jimmy Olevson, CLO; Gabriel Derosier; Mariana Quackenbush; Art Smith; Mike Ferrell.  
Not pictured: Mike Rudolph and Sean Biehl.

## MainStreet Bank Branch Office Teams



### Arlington Branch

Left to right: Elvira Tahmassian; Mimi Hailegiorgis, Branch Manager; Smita Shrestha



### Fairfax Branch

Left to right: Aye Krause; Shweta Thapa; Trinh Tron; Frannie Assadi, Branch Manager



### Headquarters Branch

Left to right: Zula Gankhuyag; Lina Rios; Shahnawaz Shafi; Jacqueline Vivas, Branch Manager



### Herndon Branch

Left to right: Inna Miravi; Robin Law; Mary Beth Shaver, Branch Manager



### Leesburg Branch

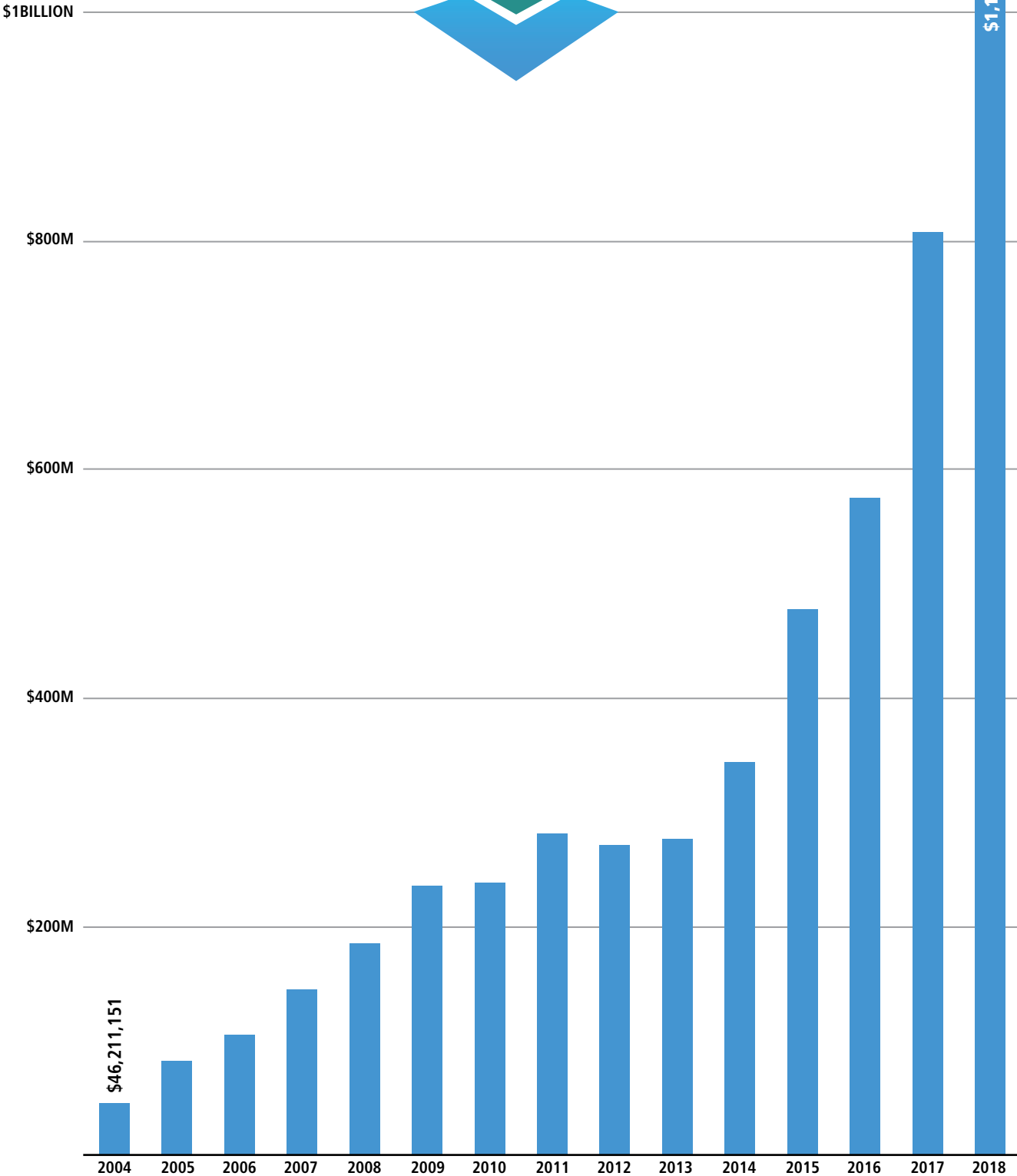
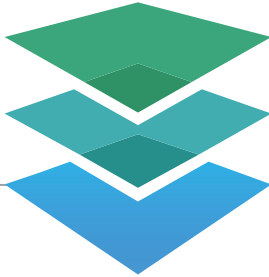
Left to right: Kevin Arteaga; Nerissa Farooq; Tamma Payne, Branch Manager; Jackie Lester



### McLean Branch

Left to right: Hung Tran; Sosena Jemaneh; Muhammad Shamsuzzaman, Branch Manager

# Asset Growth 2004-2018



# MAINSTREET BANCSHARES INC.

## Consolidated Balance Sheets

Years Ended December 31,	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents		
Cash and due from banks	\$ 27,886,426	\$ 37,492,616
Federal funds sold	30,190,000	—
Total cash and cash equivalents	58,076,426	37,492,616
Investment securities available for sale, at fair value	55,979,182	51,314,180
Investment securities held to maturity (fair value of \$26,232,199 and \$27,903,552, respectively)	26,177,751	27,516,929
Restricted equity securities, at cost	5,893,700	4,241,250
Loans, net of allowance for loan losses of \$8,830,626 and \$5,705,451, respectively	917,125,293	654,339,234
Premises and equipment, net	14,221,929	13,964,889
Accrued interest and other receivables	5,148,396	3,849,266
Bank owned life insurance	14,064,039	13,636,598
Other assets	3,926,447	1,596,521
<b>Total Assets</b>	<b>\$1,100,613,163</b>	<b>\$807,951,483</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Non-interest bearing deposits	\$ 211,748,773	\$171,571,856
Interest bearing demand deposits	60,588,274	48,432,354
Savings and NOW deposits	51,370,951	47,855,384
Money market deposits	138,152,451	82,827,995
Time deposits	458,276,310	316,967,721
Total deposits	920,136,759	667,655,310
Federal Home Loan Bank advances	40,000,000	48,141,666
Other borrowings	—	5,638,000
Subordinated debt	14,776,300	14,747,525
Other liabilities	4,449,175	2,967,800
<b>Total liabilities</b>	<b>\$ 979,362,234</b>	<b>\$739,150,301</b>
<b>Stockholders' Equity:</b>		
Preferred stock, \$1.00 par value. Authorized 2,000,000 shares; no shares issues and outstanding for December 31, 2018 and 2017	—	—
Common stock, \$4.00 par value. (Authorized 10,000,000 shares; issued and outstanding 8,177,978 shares (including 133,869 nonvested shares) for December 31, 2018 and 5,471,892 shares (including 111,358 nonvested shares) for December 31, 2017	32,176,436	21,442,136
Capital surplus	74,255,935	35,692,805
Retained earnings	15,185,475	11,685,788
Accumulated other comprehensive loss	(366,917)	(19,547)
<b>Total Stockholders' Equity</b>	<b>121,250,929</b>	<b>68,801,182</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$1,100,613,163</b>	<b>\$807,951,483</b>

The accompanying notes are an integral part of these consolidated financial statements.

# MAINSTREET BANCSHARES INC.

## Consolidated Statements of Income

Years Ended December 31,	2018	2017
<b>INTEREST INCOME:</b>		
Interest and fees on loans	\$41,269,922	\$ 25,080,364
Interest on investment securities	1,470,476	1,576,130
Interest on federal funds sold	1,095,302	297,159
Total interest income	43,835,700	26,953,653
<b>INTEREST EXPENSE:</b>		
Interest on interest bearing demand deposits	900,183	193,795
Interest on savings and NOW deposits	250,686	182,417
Interest on money market deposits	1,707,893	565,304
Interest on other time deposits	8,065,222	3,114,234
Interest on Federal Home Loan Bank advances and other borrowings	776,111	451,912
Subordinated debt interest expense	966,275	963,567
Total interest expense	12,666,370	5,471,229
Net interest income	31,169,330	21,482,424
Provision for loan losses	3,126,000	1,885,000
Net interest income after provision for loan losses	28,043,330	19,597,424
<b>NON-INTEREST INCOME:</b>		
Deposit account service charges	1,103,450	836,401
Other loan fees	506,785	445,659
Bank owned life insurance income	427,440	434,751
Other operating income	1,200,873	560,680
Total non-interest income	3,238,548	2,277,491
<b>NON-INTEREST EXPENSES:</b>		
Salaries and employee benefits	11,844,681	9,652,288
Occupancy expenses	735,858	605,444
Furniture and equipment expenses	1,858,754	1,271,760
Advertising and marketing	614,373	264,345
Outside services	838,544	663,036
Franchise tax	684,573	451,014
FDIC insurance	733,556	431,696
Data processing	811,065	742,380
Loss on sale of other real estate owned	—	50,735
Other operating expenses	1,857,692	1,525,452
Total non-interest expenses	19,979,096	15,658,150
INCOME BEFORE INCOME TAXES	11,302,782	6,216,765
Income tax expense	2,093,598	2,334,555
<b>NET INCOME</b>	<b>\$9,209,184</b>	<b>\$ 3,882,210</b>
Net income per common share, basic and diluted <sup>(1)</sup>	\$ 1.38	\$ 0.81
Weighted average number of shares, basic and diluted <sup>(1)</sup>	\$ 6,652,979	\$ 4,778,748

See Notes to Consolidated Financial Statements.

## Executive Officers of MainStreet Bancshares, Inc.

**Jeff Dick** ..... Chairman and CEO  
**Chris Brockett** ..... President  
**Tom Chmelik** ..... Secretary, Sr. EVP Chief Financial Officer  
**Jacob Hutchinson** ..... EVP Chief Operating Officer  
**Abdul Hersiburane** ..... EVP Director of Business Development  
**Mike Rudolph** ..... EVP Senior Lender

## Senior Officers of MainStreet Bank

**Bruce Gemmill** ..... SVP Chief Marketing Officer  
**Richard Johnson** ..... SVP Chief Consumer Lending Officer  
**Chris Johnston** ..... SVP Chief Risk Officer  
**Lisa Kilgour** ..... SVP Chief Information Officer  
**Jimmy Olevson** ..... SVP Chief Lending Officer  
**Susan Templeton** ..... SVP Chief of Staff

**Kamaljit Brar** ..... SVP Retail Banking  
**Theresa Catlett** ..... SVP Compliance Manager  
**Jeff Day** ..... SVP Credit Underwriting Manager  
**Mike Ferrell** ..... SVP Government Contract Lending  
**Tom Floyd** ..... SVP Regional Lending Manager  
**Shanton Kittler** ..... SVP SBA Lending Manager  
**Dan Miner** ..... SVP Director of Payments  
**David Murrell** ..... SVP Senior Business Banker  
**Art Smith** ..... SVP Commercial Lender  
**Trish Smith** ..... SVP Director of Human Resources



[www.mstreetbank.com](http://www.mstreetbank.com)

### Available Information

Commencing with the effectiveness of our Form 10 Registration Statement in April, 2019, our filings with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on form 8-K, and all amendments thereto, are available on our website as soon as reasonably practicable after the reports are filed with or furnished to the SEC. Copies can be obtained free of charge in the "Investor Relations" section of our website at <https://ir.mstreetbank.com>. Our SEC filings are also available through the SEC's website at [www.SEC.gov](http://www.SEC.gov).

At May 31, 2019 we had 8,250,259 shareholders of record of our common stock. Our symbol is "MNSB"

Copies of our filings with the SEC are available by writing the Company at the following address:

**MainStreet Bancshares, Inc.**  
10089 Fairfax Blvd., Fairfax, VA 22030  
Attn: Thomas J. Chmelik, Secretary  
(703) 481-4567





**MainStreet Bancshares, inc.**  
10089 Fairfax Blvd., Fairfax, VA 22030

**[www.mstreetbank.com](http://www.mstreetbank.com)**