

MAINSTREET BANKSHARES, INC.
Consolidated Statements of Operations
(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Interest and Dividend Income:		
Interest and fees on loans	\$ 4,430,526	\$ 4,796,927
Interest on interest-bearing deposits	10,019	19,547
Interest on federal funds sold	4,020	3,325
Interest on securities available for sale	424,036	513,037
Dividends on restricted equity securities	15,314	13,884
	<u>4,883,915</u>	<u>5,346,720</u>
Total Interest and Dividend Income		
Interest Expense:		
Interest on deposits	1,098,881	1,628,471
Interest on short-term borrowings	5	34
Interest on repurchase agreements	266,824	266,824
	<u>1,365,710</u>	<u>1,895,329</u>
Total Interest Expense		
Net Interest Income	3,518,205	3,451,391
Provision for loan losses	909,113	591,900
	<u>2,609,092</u>	<u>2,859,491</u>
Net Interest Income After Provision for Loan Losses		
Noninterest Income:		
Service charges on deposit accounts	153,569	134,480
Mortgage brokerage income	58,422	121,768
Income on bank owned life insurance	54,565	53,648
Gain on sale of securities available for sale	---	419,937
Other fee income and miscellaneous income	201,063	178,854
	<u>467,619</u>	<u>908,687</u>
Total Noninterest Income		
Noninterest Expense:		
Salaries and employee benefits	1,426,048	1,479,064
Occupancy and equipment expense	426,246	433,237
Professional fees	126,668	132,183
Outside processing	209,810	233,611
FDIC assessment	218,069	273,489
Franchise tax	105,000	98,000
Other real estate and repossessions	787,554	162,669
Other expenses	305,113	331,100
	<u>3,604,508</u>	<u>3,143,353</u>
Total Noninterest Expense		
Net Income (Loss) Before Tax	\$ (527,797)	\$ 624,825
Income Tax Expense (Benefit)	(199,394)	198,433
	<u>\$ (328,403)</u>	<u>\$ 426,392</u>
Net Income (Loss)		
Net Income (Loss) Per Share Basic	\$ (.19)	\$.25
Net Income (Loss) Per Share Diluted	\$ (.19)	\$.25

MainStreet BankShares, Inc.
Board of Directors

Joel R. Shepherd
Chairman of the Board

Larry A. Heaton
President &
Chief Executive Officer

Joseph F. Clark
William L. Cooper, III
Charles L. Dalton
John M. Deekens
Danny M. Perdue
Michael A. Turner



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MAINSTREET
BANKSHARES, INC.

2011

Second Quarter Report

1075 Spruce Street
 Martinsville, VA 24112
 Telephone: 276-632-8054
www.msbsinc.com

Stock Symbol
 OTCBB: MREE

August 11, 2011

To Fellow Shareholders,

Enclosed please find a copy of your second quarter 2011 financial results for MainStreet BankShares, Inc. Consolidated information for the balance sheet and income statement are shown as of and for the period ending June 30, 2011 with comparable information as of December 31, 2010 and for the period ending June 30, 2010. For the second quarter of 2011 MainStreet produced a net income of \$111,677, or \$.07 per basic share, compared to \$166,863, or \$.10 per basic share, for the similar period in 2010. For the six month period ending June 30, 2011, the Company's loss totaled \$(328,403), or \$(.19) per basic share, compared to profits of \$426,392, or \$.25 per basic share, for the same period last year. Both the Bank and the Company remain well capitalized as of June 30, 2011 under current regulatory requirements. Consolidated Tier I capital actual, Tier I risk based capital and Tier II risk based capital were 10.25%, 14.43%, and 15.69%, respectively. The book value of your investment was \$12.89 at June 30, 2011.

Our balance sheet continued to decline with gross loans totaling \$152.0 million and deposits totaling \$175.1 million at June 30, 2011. Encouragement is noted as our core non-interest bearing deposits increased approximately 14% and our strategy of diligent deposit pricing improved our net interest margin to 3.58% at period end. Nonperforming assets as of June 30, 2011 declined \$1.2 million from year-end 2010.

While we are pleased to report second quarter profits, our results continue to be hampered by a sluggish economy, weak loan demand, lower non-interest income and additional write downs, expenses, and losses on sales of our other real estate owned properties. These costs associated with our other real estate were \$787,554 year-to-date June 30, 2011, resulting from the continued soft real estate market. Year-to-date non-interest income is down 4% (excluding one-time security gains last year) partially due to the change required in our mortgage operation as a result of the Dodd Frank legislation.

Our local market continues to "bump along" in the bottom of this economic cycle. The number of properties listed for sale remains elevated with current absorption levels stretching out for years. Despite the fact that mortgage rates remain near historic lows and we have ample funds to loan, the consumer continues to be a reluctant buyer.

It has been one year since the passage of the Dodd Frank regulatory reform bill. As I have reported to you earlier, we will continue to see the slow roll out of the many regulations this legislation contains. In addition to adjustments already made in our mortgage income stream, the recently enacted rules relating to debit card interchange are another example of a revenue reduction mandate that will affect our industry.

As we work through this economic cycle, we are maintaining our focus on improving our earnings. The reduction of our other real estate owned properties and related costs and expenses, along with the identification and pursuit of growth opportunities, are keys to our future success.

I would like to commend our employees and directors for their efforts. I would also like to thank you for your investment and continued support. I invite you to stop in at one of our banking locations or visit us online at our Bank Facebook page, fcbva.com, or at msbsinc.com.

Sincerely,



Larry A. Heaton
President and Chief Executive Officer

MAINSTREET BANKSHARES, INC.
Consolidated Balance Sheets

	(Unaudited) June 30, 2011	(Audited) Dec. 31, 2010
ASSETS		
Cash and due from banks	\$ 4,202,181	\$ 2,238,381
Interest-bearing deposits in banks	14,305,769	8,866,966
Federal funds sold	5,610,271	7,660,000
Total Cash and Cash Equivalents	24,118,221	18,765,347
Securities available for sale, at fair value	24,805,194	27,054,527
Restricted equity securities	914,200	996,600
Loans:		
Total Gross Loans	151,963,327	158,745,645
Unearned deferred fees and costs, net	89,634	79,176
Loans, net of unearned deferred fees and costs	152,052,961	158,824,821
Less: Allowance for loan losses	(3,062,830)	(3,584,180)
Net Loans	148,990,131	155,240,641
Bank premises and equipment, net	1,739,811	1,811,673
Accrued interest receivable	590,583	725,261
Bank owned life insurance	2,994,155	2,939,590
Other real estate owned, net of valuation allowance	4,779,538	4,152,667
Other assets	2,799,131	2,849,099
TOTAL ASSETS	\$ 211,730,964	\$ 214,535,405
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest bearing demand deposits	\$ 21,997,384	\$ 19,357,378
Interest bearing deposits	153,149,853	158,516,586
Total Deposits	175,147,237	177,873,964
Repurchase agreements	13,500,000	13,500,000
Accrued interest payable and other liabilities	991,122	1,071,974
Total Liabilities	189,638,359	192,445,938
Commitments and contingencies	---	---
Shareholders' Equity:		
Preferred stock, no par value, authorized 10,000,000 shares; none issued	---	---
Common stock, no par value, authorized 10,000,000 shares; issued and outstanding 1,713,375 shares at June 30, 2011 and December 31, 2010, respectively	17,866,890	17,866,890
Retained earnings	3,804,192	4,132,595
Accumulated other comprehensive income	421,523	89,982
Total Shareholders' Equity	22,092,605	22,089,467
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$211,730,964	\$214,535,405

MAINSTREET BANKSHARES, INC.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010
Interest and Dividend Income:		
Interest and fees on loans	\$ 2,169,377	\$ 2,378,284
Interest on interest-bearing deposits	5,798	9,552
Interest on federal funds sold	1,501	2,660
Interest on securities available for sale	211,844	237,759
Dividends on restricted equity securities	7,648	6,930
Total Interest and Dividend Income	2,396,168	2,635,185
Interest Expense:		
Interest on deposits	517,380	802,940
Interest on short-term borrowings	5	34
Interest on repurchase agreements	134,149	134,149
Total Interest Expense	651,534	937,123
Net Interest Income	1,744,634	1,698,062
Provision for loan losses	55,923	198,600
Net Interest Income After Provision for Loan Losses	1,688,711	1,499,462
Noninterest Income:		
Service charges on deposit accounts	76,227	71,708
Mortgage brokerage income	28,623	93,615
Income on bank owned life insurance	27,468	26,928
Other fee income and miscellaneous income	93,201	95,848
Total Noninterest Income	225,519	288,099
Noninterest Expense:		
Salaries and employee benefits	701,070	724,593
Occupancy and equipment expense	208,411	212,990
Professional fees	43,476	71,149
Outside processing	105,962	115,317
FDIC assessment	99,207	135,547
Franchise tax	52,500	52,500
Other real estate and repossessions	398,198	64,783
Other expenses	152,873	168,488
Total Noninterest Expense	1,761,697	1,545,367
Net Income Before Tax	\$ 152,533	\$ 242,194
Income Tax Expense	40,856	75,331
Net Income	\$ 111,677	\$ 166,863
Net Income Per Share Basic	\$.07	\$.10
Net Income Per Share Diluted	\$.07	\$.10