



Triad Centre III
6070 Poplar Avenue
Suite 200
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office 901.624.5500
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November 16, 2020

Dear valued Shareholders, Customers and Friends:

Evolve Bancorp, Inc. is pleased to announce exceptional financial results and continued growth for the third quarter of 2020. Net income for the three months ended September 30, 2020 was \$5.1 million compared to \$1.7 million for the same period in 2019. Tangible book value per share increased 25.1% to \$9.58 at September 30, 2020 from \$7.66 at December 31, 2019.

Net interest income for the third quarter of 2020 increased to \$5.8 million from \$5.0 million for the same period of 2019 as a result of reduced funding costs. Noninterest income increased 104.0% to \$25.1 million for the three months ended September 30, 2020 compared to \$12.3 million for the same period in 2019. The increase is the result of significant increases in the volume of mortgage loans originated by our Mortgage Division and continued growth in transaction volumes and related income from our Payment Processing Division. During the third quarter of 2020, the Mortgage Division closed \$437.7 million of mortgage loans compared to \$193.2 million of mortgage loans for the same period of the prior year. Our Payment Processing Division processed 7.1 million ACH transactions during the three months ended September 30, 2020 compared to 3.1 million transactions for the same period in 2019.

Total assets grew 43.3% to \$646.8 million at September 30, 2020 from \$451.4 million at December 31, 2019. The growth was primarily the result of an increase in mortgage loans held for sale of \$109.8 million as well as \$71.3 million of new Payroll Protection Program loans. Total deposits grew 21.4% to \$453.4 million at September 30, 2020 from \$373.5 million at December 31, 2019.

Net income for the nine months ended September 30, 2020 increased 122.2% to \$7.9 million from \$3.6 for the same period in 2019. Net interest income year to date through September 30, 2020 increased to \$15.9 million from \$14.3 million for the same period of 2019. Noninterest income increased 92.8% to \$58.3 million for the nine months ended September 30, 2020 compared to \$30.2 million for the same period in 2019. During the nine months ended September 30, 2020, the Mortgage Division closed \$995.6 million of mortgage loans compared to \$472.2 million of the same period of 2019. Year to date through September 30, 2020, the Payment Processing Division processed 18.5 million ACH transactions compared to 7.2 million ACH transactions for the same period of 2019.



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Evolve Bank & Trust's return on Average Assets was 1.85% for the nine months ended September 30, 2020 compared to .97% for the same period in 2019. Return on Average Equity was 21.86% for the nine months ended September 30, 2020 compared to 10.89% for the same period in 2019, and regulatory capital, (Tier 1 leverage ratio), at September 30, 2020 was 9.21%.

For more information regarding the financial performance of Evolve Bancorp. Inc. for the third quarter and nine months ended September 30, 2020, please see the attached Consolidated Balance Sheets and Consolidated Income Statements. In addition, see the attached Evolve Bank & Trust Financial Highlights.

IN MEMORY

On September 21st we lost our dear friend Joe Jenkins, a longstanding member of Evolve's Board of Directors. He passed away after a recent illness and was surrounded by his family. Over the course of his career, Joe served in a range of capacities, including as chairman and President of the former Citizens Bank, as well as board chairman and instructor of the Mid-South School of Banking. His philanthropic endeavors included being on the national and Arkansas-affiliate boards of the American Heart Association, the boards of the Mid-South Community College Foundation and the Crittenden County Regional Hospital. Joe was also a founding member of the Esperanza Bonanza Festival in Marion, AR. He served as chairman of the board of the Assisi Foundation of Memphis. He graduated from Arkansas State University and The Stonier Graduate School of Banking. We extend our heartfelt condolences to his family, while also celebrating a life well lived.

EVOLVE NEWS

Evolve has named Mike Wheeler as Financial Crimes Risk Officer, BSA Officer. Mike has been in banking for more than 15 years. He started his career with Wachovia Bank, where he was recognized in an ad campaign in USA Today for customer service excellence. Mike then joined Regions Bank as a BSA/AML and Fraud Investigator. During his time as an investigator, Mike was elevated to lead complex and high-profile investigations. He then joined BBVA USA as a Senior Internal Auditor for BSA/AML/OFAC & Fraud. Most recently, Mike returned to Regions Bank and served as a Senior Internal Auditor for BSA/AML/OFAC & Fraud. Mike received a Bachelor of Science in Sports Administration with a minor in Business Administration from University of Southern Mississippi.



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Paige Hessen was named Vice President, Associate Counsel for Evolve. Paige has over 15 years of experience providing legal support and guidance to financial service companies. Most recently, she served as the Director of Litigation for TSYS Merchant Solutions, LLC, a Global Payments company, managing litigation impacting TSYS' merchant segment. In addition to managing litigation, she also provided legal support and guidance in areas of contract drafting and negotiation of ISO, ISA, vendor and bank partner agreements; mitigated client, customer, partner and employee disputes; and, assisted compliance, credit and risk departments in managing the companies' risk exposure. Paige was nominated for a company quarterly award by her business peers for being an attorney who took unorthodox ideas and put them into action. Prior to TSYS, Paige worked at a private New Mexico law firm managing the firm's creditor's rights department in its representation of various financial institutions in recovery of their outstanding receivables. Paige earned her Bachelor of Arts degree from Vassar College. She received her Juris Doctorate degree from the University of Tulsa, College of Law. Paige is admitted to practice law in both Colorado and New Mexico and is a member of the Colorado and El Paso County Bar Associations.

WANT TO BUY OR SELL EVOLVE STOCK?

Our partnership with *Community Bank List* is a valuable service, and we trust this partnership is providing you with a convenient and transparent marketplace to post notices to buy or sell Evolve Bancorp stock. Through our agreement with *Community Bank List*, you may post your listings at no cost by entering our exclusive access code [**EVOLVE**] for any listing (buying or selling) of Evolve Bancorp shares.

We are pleased to offer this service to you and hope that you will take advantage of it. On the [Investor Relations](#) page of our website, you will find a link to BankList.com where you can create a free profile to begin viewing and posting share offers. For help getting started, please call *Community Bank List* at 1.877.257.0854 and select option "2" for support. Also, feel free to contact [Jennifer Nelson](#), Evolve Trust Services, at 901.260.9984 and she will be happy to assist you.



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HOW CAN YOU HELP EVOLVE AND YOUR INVESTMENT?

At Evolve, we are continually looking for new opportunities to grow and ways to improve our services to our customers. As new and interesting concepts arise, please do not hesitate to reach out to us. As always, we welcome your observations, concerns and questions.

For current information about everything happening at Evolve, please visit us at Getevolved.com, follow us on [Facebook](#), [Twitter](#), [Instagram](#) and [LinkedIn](#).

Sincerely,

A handwritten signature in blue ink that reads 'B. Scot Lenoir'.

B. Scot Lenoir
Chairman
Evolve Bancorp, Inc.

About Evolve Bank & Trust:

Founded in 1925, [Evolve Bank & Trust](#) is a best in class financial institution offering specialized services in [Payment Processing Solutions](#), [Banking](#), [Mortgage](#), [SBA Lending](#) and [Trust](#).

Headquartered in Memphis, TN, Evolve operates banking centers throughout the Mid-South and mortgage home loan centers nationwide. Evolve has been voted a Top Workplace seven years in a row and has been named in Inc. Magazine's 5000 List of the fastest growing companies.



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**EVOLVE BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

	September 30, 2020 <u>(unaudited)</u>	December 31, 2019 <u>(audited)</u>
ASSETS		
Total cash and cash equivalents	\$ 54,764,976	\$ 34,328,529
Securities available for sale, at fair value	16,756,097	9,803,865
Restricted equity securities, at cost	3,188,950	1,736,150
Mortgage loans held for sale, at fair value	134,128,257	24,331,675
SBA loans held for sale	5,622,901	3,117,621
Loans, net of allowance of \$6,572,571 at 2020 and \$6,344,929 at 2019	331,320,707	355,486,463
Payroll Protection Program (PPP) Loans	71,338,900	-
Premises and equipment, net	5,060,959	5,709,820
Other assets	24,576,165	16,855,741
	<u>\$ 646,757,912</u>	<u>\$ 451,369,864</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Noninterest bearing demand deposits	\$ 228,989,861	\$ 186,783,348
Interest-bearing	224,452,346	186,760,807
Total deposits	453,442,207	373,544,155
Federal home loan bank advances	45,000,000	15,000,000
FRB PPP liquidity facility	70,549,800	-
Notes Payable	5,230,000	5,940,000
Other liabilities	24,718,294	17,235,289
Total liabilities	598,940,301	411,719,444
Shareholders Equity		
Preferred Stock, Class A	3,377,475	3,377,475
Preferred Stock, Series A	1,099,000	1,099,000
Common Stock of 4,261,533 shares outstanding at 2020 and 4,266,476 at 2019	4,742,065	4,736,065
Treasury Stock	(2,411,962)	(2,347,945)
Additional paid-in capital	9,918,981	9,823,585
Retained earnings	30,602,890	22,869,082
Accumulated other comprehensive income	489,162	93,158
Total shareholders' equity	47,817,611	39,650,420
	<u>\$ 646,757,912</u>	<u>\$ 451,369,864</u>
Total liabilities and shareholders' equity	<u>\$ 646,757,912</u>	<u>\$ 451,369,864</u>
Book value per share	\$ 10.17	\$ 8.24
Tangible book value per share	9.58	7.66



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**EVOLVE BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED INCOME STATEMENTS**

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Interest income				
Loans	\$ 6,340,958	\$ 6,047,147	\$ 17,689,864	\$ 17,698,988
Investment securities	84,659	109,481	238,390	321,977
Other	23,749	92,448	118,683	227,439
Total interest income	6,449,366	6,249,076	18,046,937	18,248,404
Interest expense				
Deposits	361,470	1,018,838	1,428,492	3,150,014
FHLB advances and other borrowed funds	296,676	234,351	745,503	757,682
Total interest expense	658,146	1,253,189	2,173,995	3,907,696
Net interest income	5,791,220	4,995,887	15,872,942	14,340,708
Provision for loan losses	2,809	136,865	441,672	561,345
Net interest income after provision for loan losses	5,788,411	4,859,022	15,431,270	13,779,363
Noninterest income				
Mortgage	18,950,130	7,320,452	40,235,180	17,743,712
Payment Processing/Bank	6,130,775	4,975,429	18,065,841	12,495,885
Noninterest income	25,080,905	12,295,881	58,301,021	30,239,597
Noninterest expense				
Salaries, commissions, and employee benefits	17,973,326	9,852,288	43,571,400	26,715,717
Occupancy and equipment	1,048,983	979,044	2,950,849	2,911,624
Other	4,980,981	3,957,877	16,447,328	9,524,250
Noninterest expense	24,003,290	14,789,209	62,969,577	39,151,591
Income before income taxes	6,866,026	2,365,694	10,762,714	4,867,369
Income tax expense	1,799,524	625,870	2,828,068	1,296,948
Net income	\$ 5,066,502	\$ 1,739,824	\$ 7,934,646	\$ 3,570,421
Earnings per share basic	\$ 1.17	\$ 0.39	\$ 1.81	\$ 0.78
Earnings per share diluted	0.99	0.35	1.55	0.70



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EVOLVE BANK & TRUST FINANCIAL HIGHLIGHTS

(dollars in thousands)
(unaudited)

Balance Sheet Data	September 30, 2020	December 31, 2019
Portfolio Loans (Excluding PPP Loans)	\$ 337,889	\$ 361,824
PPP Loans	71,339	-
Mortgage Loans Held for Sale	134,128	24,331
SBA Loans Held for Sale	5,623	3,118
Total Loans	548,979	389,273
Investment Securities	16,756	9,804
Total Assets	646,885	451,290
Total Deposits	453,768	373,643
Net Loans to Deposits	119.53%	102.48%
Net Loans to Deposits Excluding PPP Loans	103.81%	102.48%
Capital Ratios	September 30, 2020	December 31, 2019
Tier 1 Leverage Ratio	9.21%	8.57%
Tier 1 Risk-Based Capital Ratio	12.23%	11.25%
Total Risk Based Capital Ratio	13.49%	12.50%
Asset Quality	September 30, 2020	December 31, 2019
Allowance for Loan Losses (ALL)	\$ 6,573	\$ 6,345
Non Accrual Loans	3,522	3,235
Other Real Estate Owned	550	666
Non-Accrual Loans to Total Loans	0.64%	0.83%
ALL (Excluding HFS & PPP)	1.95%	1.75%
Profitability Ratios	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Return on Average Assets	1.85%	0.97%
Return on Average Equity	21.86%	10.89%
Net Interest Margin	4.20%	4.42%