



Triad Centre III
6070 Poplar Avenue
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Memphis, TN 38119

office 901.624.5500
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August 14, 2020

Dear valued Shareholders, Customers and Friends:

Evolve Bancorp, Inc. is proud to announce strong financial results for the second quarter of 2020. Net income for the three months ended June 30, 2020 increased 59.3% to \$2.0 million from \$1.2 for the same period in 2019. Tangible book value per share increased 9.7% to \$8.40 at June 30, 2020 from \$7.66 at December 31, 2019.

Net interest income for the second quarter of 2020 increased to \$5.4 million from \$4.8 million for the same period of 2019 as a result of reduced funding costs. Non-Interest Income increased 114.9% to \$20.5 million for the three months ended June 30, 2020 compared to \$9.5 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 second quarter of 2020, the Mortgage Division closed \$383.2 million of mortgage loans compared to \$159.3 million of mortgage loans for the same period of the prior year. Our Payment Processing Division processed 5.9 million ACH transactions during the three months ended June 30, 2020 compared to 2.1 million transactions for the same period in 2019.

Total assets grew 33.7% to \$603.7 million at June 30, 2020 from \$451.4 million at December 31, 2019. The growth was primarily the result of \$74.0 million of new PPP loans as well as an increase in mortgage loans held for sale of \$66.4 million. Total deposits were \$405.8 million at June 30, 2020 compared to \$373.5 million at December 31, 2019.

Net income for the six months ended June 30, 2020 increased 56.7% to \$2.9 million from \$1.8 for the same period in 2019. Net interest income year to date through June 30, 2020 increased to \$10.1 million from \$9.3 million for the same period of 2019. Non-Interest Income increased 85.1% to \$33.2 million for the six months ended June 30, 2020 compared to \$17.9 million for the same period in 2019. During the six months ended June 30, 2020, the Mortgage Division closed \$557.9 million of mortgage loans compared to \$279.0 million of the same period of 2019. Year to date through June 30, 2020, the Payment Processing Division processed 11.5 million ACH transactions compared to 4.1 million ACH transactions for the same period of 2019.

Evolve Bank & Trust's return on Average Assets was 1.05% for the six months ended June 30, 2020 compared to .76% for the same period in 2019. Return on Average Equity was 12.02% for the six months ended June 30, 2020 compared to 8.56% for the same period in 2019, and regulatory capital, (Tier 1 leverage ratio), at June 30, 2020 was 8.47%.



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

CORONAVIRUS UPDATES

Evolve's Banking and Financial Centers are open to conduct in-person essential business by appointment only. Customers will be asked to follow safety protocols. Our Personal Bankers are always available and ready to help via telephone or at our drive-thru locations during normal business hours.

The Cooper Young Business Association Board of Directors announced the cancellation of the "2020 Evolve Bank & Trust Cooper Young Festival". The Festival brings in artists from all over the United States as well as over 130,000 attendees to celebrate the neighborhood's history, diversity, art and music. Next year's festival is scheduled for Saturday, September 11, 2021. Although the festival will not occur this year, Evolve is proud to continue to invest in the Memphis community as the title sponsor of the event.

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**

	June 30, 2020 <u>(unaudited)</u>	December 31, 2019 <u>(audited)</u>
ASSETS		
Total cash and cash equivalents	\$ 48,702,858	\$ 34,328,529
Securities available for sale, at fair value	17,033,720	9,803,865
Restricted equity securities, at cost	3,182,050	1,736,150
Mortgage loans held for sale, at fair value	90,770,711	24,331,675
SBA loans held for sale	2,821,274	3,117,621
Loans, net of allowance of \$6,549,814 at 2020 and \$6,344,929 at 2019	339,845,140	355,486,463
Payroll Protection Program (PPP) Loans	74,026,800	-
Premises and equipment, net	5,287,019	5,709,820
Other assets	22,011,679	16,855,741
	<u>\$ 603,681,251</u>	<u>\$ 451,369,864</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Noninterest bearing demand deposits	\$ 231,974,775	\$ 186,783,348
Interest-bearing	173,799,585	186,760,807
Total deposits	405,774,360	373,544,155
Federal home loan bank advances	50,000,000	15,000,000
FRB PPP liquidity facility	73,139,900	-
Notes Payable	5,340,000	5,940,000
Other liabilities	26,561,971	17,235,289
Total liabilities	560,816,231	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 4,272,476 shares outstanding at 2020 and 4,266,476 at 2019	4,742,065	4,736,065
Treasury Stock	(2,347,945)	(2,347,945)
Additional paid-in capital	9,896,882	9,823,585
Retained earnings	25,603,334	22,869,082
Accumulated other comprehensive income	494,209	93,158
Total shareholders' equity	42,865,020	39,650,420
	<u>\$ 603,681,251</u>	<u>\$ 451,369,864</u>
Total liabilities and shareholders' equity	<u>\$ 603,681,251</u>	<u>\$ 451,369,864</u>
Book value per share	\$ 8.99	\$ 8.24
Tangible book value per share	8.40	7.66



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

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Interest income				
Loans	\$ 5,944,851	\$ 5,913,060	\$ 11,348,906	\$ 11,651,841
Investment securities	89,169	103,983	153,731	212,496
Other	19,308	69,815	94,934	134,991
Total interest income	6,053,328	6,086,858	11,597,571	11,999,328
Interest expense				
Deposits	413,730	1,029,486	1,067,022	2,131,176
FHLB advances and other borrowed funds	282,301	248,958	448,827	523,331
Total interest expense	696,031	1,278,444	1,515,849	2,654,507
Net interest income	5,357,297	4,808,414	10,081,722	9,344,821
Provision for loan losses	200,000	213,091	438,863	424,480
Net interest income after provision for loan losses	5,157,297	4,595,323	9,642,859	8,920,341
Noninterest income				
Mortgage	15,323,461	5,939,109	21,285,050	10,423,260
Payment Processing	4,147,123	1,477,092	8,875,091	2,837,401
Bank	1,029,464	2,121,920	3,059,975	4,683,055
Total noninterest income	20,500,048	9,538,121	33,220,116	17,943,716
Noninterest expense				
Salaries, commissions, and employee benefits	15,455,381	8,821,465	25,598,074	16,863,429
Occupancy and equipment	962,406	973,191	1,901,866	1,932,580
Other	6,598,252	2,666,119	11,466,347	5,566,373
Total noninterest expense	23,016,039	12,460,775	38,966,287	24,362,382
Income before income taxes	2,641,306	1,672,669	3,896,688	2,501,675
Income tax expense	680,534	441,546	1,028,544	671,078
Net income	\$ 1,960,772	\$ 1,231,123	\$ 2,868,144	\$ 1,830,597
Earnings per share basic	\$ 0.44	\$ 0.27	\$ 0.64	\$ 0.39
Earnings per share diluted	0.38	0.24	0.56	0.35



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EVOLVE BANK & TRUST FINANCIAL HIGHLIGHTS

(dollars in thousands)
(unaudited)

Balance Sheet Data	June 30, 2020	December 31, 2019
Portfolio Loans**	\$ 346,390	\$ 361,824
Payroll Protection Program (PPP) Loans	74,027	-
Mortgage Loans Held for Sale	90,771	24,331
SBA Loans Held for Sale	2,821	3,118
Total Loans	514,009	389,273
Investment Securities	16,984	9,804
Total Assets	603,606	451,290
Total Deposits	405,827	373,643
Net Loans to Deposits	125.04%	102.48%
Net Loans to Deposits Excluding PPP Loans	106.80%	102.48%
**excludes PPP Loans		
Capital Ratios	June 30, 2020	December 31, 2019
Tier 1 Leverage Ratio	8.47%	8.57%
Tier 1 Risk-Based Capital Ratio	11.48%	11.25%
Total Risk Based Capital Ratio	12.73%	12.50%
Asset Quality	June 30, 2020	December 31, 2019
Allowance for Loan Losses (ALL)	\$ 6,550	\$ 6,345
Non Accrual Loans	2,812	3,235
Other Real Estate Owned	877	666
Non-Accrual Loans to Total Loans	0.55%	0.83%
ALL (Excluding HFS & PPP)	1.89%	1.75%
Profitability Ratios	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Return on Average Assets	1.05%	0.76%
Return on Average Equity	12.02%	8.56%
Net Interest Margin	4.24%	4.40%