



Triad Centre III
6070 Poplar Avenue
Suite 200
Memphis, TN 38119
office 901.624.5500
fax 901.624.5540

August 26, 2021

Dear valued Shareholders, Customers and Friends:

Evolve Bancorp, Inc. (“EBI”) is pleased to announce strong financial results for the second quarter of 2021. Net income for the three months ended June 30, 2021, increased 32.5% to \$2.6 million from \$2.0 million for the same period in 2020. Diluted earnings per share for the second quarter of 2021 increased 31.6% to \$0.50 from \$0.38 for the second quarter of 2020. Tangible book value per share increased 14.3% to \$11.59 at June 30, 2021 from \$10.14 at December 31, 2020.

Net interest income for the second quarter of 2021 increased to \$5.7 million from \$5.4 million for the same period of 2020. Interest on loans was slightly higher while deposit expenses were down from lower customer CD rates. Noninterest income increased 11.5% to \$22.9 million for the three months ended June 30, 2021 from \$20.5 million for the same period in 2020. The increase was due primarily to continued growth in revenue from our Open Banking Division (“OBD” previously named Payment Processing Division) partially offset by a decrease in Mortgage Division noninterest income. The OBD noninterest income increased 121.6% in Q2 of 2021 compared to Q2 of 2020. The OBD processed 70.9 million ACH, debit/credit sponsorship, card issuance and wire transfer transactions during the three months ended June 30, 2021 compared to 28.8 million transactions for the same period in 2020, an increase of 146%. The Mortgage Division noninterest income decreased 19.9% in Q2 of 2021 compared to Q2 of 2020 due to an increase in interest rates. The Mortgage Division closed \$378.1 million mortgage loans in Q2 of 2021 compared to \$383.2 million for Q2 of 2020.

Total assets increased 2.9% to \$711.9 million at June 30, 2021 from \$691.6 million at December 31, 2020. The increase was primarily the result of an \$84.8 million increase in cash and cash equivalents and a \$28.1 million increase in portfolio loans offset by a \$69.3 million decrease in mortgage loans held for sale and a \$13.5 million decrease in SBA Payroll Protection Program loans. Total deposits decreased 4.3% to \$492.3 million at June 30, 2021 from \$514.3 million at December 31, 2020. Total equity increased to \$57.5 million at June 30, 2021 from \$50.5 million at December 31, 2020.

In addition, EBI issued \$21.0 million of subordinated notes in the second quarter of 2021. A portion of the net proceeds were used to retire \$5.08 million of EBI notes payable. The remaining proceeds will be available to be contributed to Evolve Bank & Trust as capital which will allow for additional funding of high performing assets to drive further earnings and growth.



Triad Centre III
6070 Poplar Avenue
Suite 200
Memphis, TN 38119

office 901.624.5500
fax 901.624.5540

Net income for the first six months of 2021 increased 141% to \$6.9 million from \$2.9 million for the same period in 2020. Diluted earnings per share for the first half of 2021 increased 136% to \$1.32 from \$0.56 for the first half of 2020. Net interest income grew 18.9% to \$12.0 million for the first half of 2021 from \$10.1 million for the first half of 2020. The increase in net income was due primarily to noninterest income which increased 46.6% for the first six months of 2021 compared to the same period in 2020. Noninterest income for the first half of 2021 was \$48.7 million compared to \$33.2 million for the same period in 2020. The primary drivers of the increase were strong mortgage demand in the first quarter of 2021 and exceptional fee income from the Open Banking Division in the second quarter of 2021. Mortgage loans closed for the first half of 2021 were \$911.8 million compared to \$557.9 million for the first half of 2020. The OBD processed 132.6 million ACH, debit/credit sponsorship, card issuance and wire transfer transactions during the first six months of 2021 compared to 61.3 million transactions for the same period in 2020, an increase of 117%.

Evolve Bank & Trust's Return on Average Assets was 1.99% for the six months ended June 30, 2021 compared to 1.05% for the same period in 2020. Return on Average Equity was 23.33% for the six months ended June 30, 2021 compared to 12.02% for the same period in 2020, and regulatory capital, (Tier 1 leverage ratio), at June 30, 2021 was 10.08%.

For more information regarding the financial condition at June 30, 2021 and the financial performance for the three and six months ended June 30, 2021 of Evolve Bancorp. Inc., please see the attached Consolidated Balance Sheets and Consolidated Income Statements. In addition, see the attached Evolve Bank & Trust Financial Highlights.

EVOLVE NEWS: NEW MASTERCARD PARTNERSHIP

In July, Evolve and [Mastercard](#) announced their partnership to pilot a solution aimed at simplifying the settlement of cryptocurrency card transactions via the use of a US dollar backed stablecoin. Mastercard and Evolve along with regulated blockchain infrastructure platforms have collaborated to test an enhancement to Mastercard's current card offerings for cryptocurrency exchanges and wallets.

This monumental step forward indicates the financial industry's committed adoption of digital currencies. Fiat backed stablecoins, unlike other cryptocurrencies such as Bitcoin, are backed on a 1:1 basis with US dollars, offering stability and speed.

Processing via stablecoin builds a significant bridge from the traditional fiat payment rails to the world of cryptocurrencies. By transitioning to settlement via stablecoins, a multitude of possibilities are created for other digital currency exchanges. [Read full news release here.](#)



Triad Centre III
6070 Poplar Avenue
Suite 200
Memphis, TN 38119

office 901.624.5500
fax 901.624.5540

EVOLVE NEWS: INC. 5000 FASTEST-GROWING COMPANY

Recently, *Inc.* magazine revealed that Evolve Bank & Trust was named on its annual Inc. 5000 list, the most prestigious ranking of the nation's fastest growing private companies. This is Evolve's fourth time making the list with a three-year revenue growth of 74%. The list represents a unique look at the most successful companies within the American economy's most dynamic segment—its independent small businesses. Intuit, Zappos, Under Armour, Microsoft, Patagonia, and many other well-known names gained their first national exposure as honorees on the Inc. 5000. [Read full news release here.](#)

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.

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,

B. Scot Lenoir
Chairman
Evolve Bancorp, Inc.



Triad Centre III
6070 Poplar Avenue
Suite 200
Memphis, TN 38119

office 901.624.5500
fax 901.624.5540

About Evolve Bank & Trust:

[Evolve Bank & Trust](#), a technology focused financial services organization and Banking-as-a-Service (“BaaS”) provider, is a best in class financial institution offering specialized services in [Open Banking](#), [Banking](#), [Mortgage](#), [SBA Lending](#) and [Trust](#). Evolve is recognized as a global leader in the payments industry delivering ACH, Debit/Credit Sponsorship, Card Issuance and unique technology strategies to clients around the world. 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 private companies. For more information about Evolve, go to: www.getevolved.com.



Triad Centre III
6070 Poplar Avenue
Suite 200
Memphis, TN 38119

office 901.624.5500
fax 901.624.5540

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

	June 30, 2021 <u>(unaudited)</u>	December 31, 2020 <u>(audited)</u>
ASSETS		
Total cash and cash equivalents	\$ 137,300,077	\$ 52,487,283
Securities available for sale, at fair value	15,465,560	27,011,757
Restricted equity securities, at cost	2,869,350	3,194,750
Mortgage loans held for sale, at fair value	127,196,485	196,449,039
SBA loans held for sale	3,351,169	2,984,702
Loans, net of allowance of \$7,167,876 at 2021 and \$7,032,617 at 2020	354,034,406	325,945,493
Payroll Protection Program (PPP) Loans	38,965,047	52,475,074
Premises and equipment, net	4,510,161	4,929,467
Other assets	<u>28,167,763</u>	<u>26,138,190</u>
 Total assets	 <u>\$ 711,860,018</u>	 <u>\$ 691,615,755</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Noninterest bearing demand deposits	\$ 313,590,602	\$ 218,736,861
Interest-bearing	<u>178,679,134</u>	<u>295,564,437</u>
Total deposits	492,269,736	514,301,298
 Federal home loan bank advances	 40,000,000	 45,000,000
Subordinated Debt	21,000,000	-
FRB PPP liquidity facility	41,330,647	52,598,374
Notes Payable	-	5,080,000
Other liabilities	<u>59,799,386</u>	<u>24,087,960</u>
Total liabilities	654,399,769	641,067,632
 Shareholders Equity		
Preferred Stock, Class A	3,377,475	3,377,475
Common Stock of 4,450,710 shares outstanding at 2021 and 4,404,272 at 2020	4,937,304	4,884,804
Treasury Stock	(2,495,314)	(2,411,962)
Additional paid-in capital	10,786,316	10,571,494
Retained earnings	40,443,538	33,614,079
Accumulated other comprehensive income	<u>410,930</u>	<u>512,233</u>
Total shareholders' equity	57,460,249	50,548,123
 Total liabilities and shareholders' equity	 <u>\$ 711,860,018</u>	 <u>\$ 691,615,755</u>
 Book value per share	 \$ 12.15	 \$ 10.71
Tangible book value per share	11.59	10.14



Triad Centre III
6070 Poplar Avenue
Suite 200
Memphis, TN 38119

office 901.624.5500
fax 901.624.5540

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

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Interest income				
Loans	\$ 6,090,326	\$ 5,944,851	\$ 12,754,027	\$ 11,348,906
Investment securities	75,684	89,169	153,160	153,731
Other	74,362	19,308	95,111	94,934
Total interest income	6,240,372	6,053,328	13,002,298	11,597,571
Interest expense				
Deposits	206,310	413,730	436,655	1,067,022
FHLB advances and other borrowed funds	346,305	282,301	583,358	448,827
Total interest expense	552,615	696,031	1,020,013	1,515,849
Net interest income	5,687,757	5,357,297	11,982,285	10,081,722
Provision for loan losses	-	200,000	-	438,863
Net interest income after provision for loan losses	5,687,757	5,157,297	11,982,285	9,642,859
Noninterest income				
Mortgage	12,275,212	15,323,461	30,465,728	21,285,050
Open Banking	9,188,577	4,147,123	14,233,298	8,875,092
Bank	1,403,410	1,029,464	3,988,296	3,059,974
Noninterest income	22,867,199	20,500,048	48,687,322	33,220,116
Noninterest expense				
Salaries, commissions, and employee benefits	16,987,029	15,455,381	36,927,024	25,598,074
Occupancy and equipment	1,086,032	962,406	2,152,666	1,901,866
Other	6,971,688	6,598,252	12,255,637	11,466,347
Noninterest expense	25,044,749	23,016,039	51,335,327	38,966,287
Income before income taxes	3,510,207	2,641,306	9,334,280	3,896,688
Income tax expense	913,044	680,534	2,420,384	1,028,544
Net income	\$ 2,597,163	\$ 1,960,772	\$ 6,913,896	\$ 2,868,144
Earnings per share basic	\$ 0.57	\$ 0.44	\$ 1.53	\$ 0.64
Earnings per share diluted	\$ 0.50	\$ 0.38	\$ 1.32	\$ 0.56



Triad Centre III
6070 Poplar Avenue
Suite 200
Memphis, TN 38119
office 901.624.5500
fax 901.624.5540

EVOLVE BANK & TRUST FINANCIAL HIGHLIGHTS

(dollars in thousands)
(unaudited)

Balance Sheet Data	June 30, 2021	December 31, 2020
Portfolio Loans (Excluding PPP Loans)	\$ 361,202	\$ 332,975
PPP Loans	38,965	52,475
Mortgage Loans Held for Sale	127,197	196,449
SBA Loans Held for Sale	3,351	2,985
Total Loans	530,715	584,884
Investment Securities	15,466	27,012
Total Assets	711,664	691,611
Total Deposits	508,484	514,782
Net Loans to Deposits	102.96%	112.25%
Net Loans to Deposits Excluding PPP Loans	95.30%	102.06%
Capital Ratios	June 30, 2021	December 31, 2020
Tier 1 Leverage Ratio	10.08%	8.54%
Tier 1 Risk-Based Capital Ratio	13.12%	12.15%
Total Risk Based Capital Ratio	14.38%	13.41%
Asset Quality	June 30, 2021	December 31, 2020
Allowance for Loan Losses (ALL)	\$ 7,168	\$ 7,033
Non Accrual Loans	3,603	3,544
Other Real Estate Owned	660	735
Non-Accrual Loans to Total Loans	0.68%	0.61%
ALL (Excluding HFS & PPP)	1.98%	2.11%
Profitability Ratios	6 Months Ended June 30, 2021	6 Months Ended June 30, 2020
Return on Average Assets	1.99%	1.05%
Return on Average Equity	23.33%	12.02%
Net Interest Margin	3.91%	4.24%