

November 9, 2021

Dear valued Shareholders, Customers and Friends:

Evolve Bancorp, Inc. (“EBI”) is happy to announce continued robust financial results for the third quarter of 2021 and year to date through September 30th, 2021. Net income for the three months ended September 30, 2021 was \$3.8 million compared to \$5.1 million for the same period in 2020, a decrease of \$1.3 million, or 25.2%. Net income for the third quarter of 2020 included higher earnings from the Mortgage Division driven by the low interest rate environment created by the Covid Pandemic. In the first nine months of 2021 compared to the same period in 2020, net income increased \$2.8 million, or 34.9%, to \$10.7 million from \$7.9 million. Diluted earnings per share for the third quarter of 2021 decreased 28.3% to \$0.71 from \$0.99 for the third quarter of 2020. Diluted earnings per share year to date through September 30th, 2021 increased 31.0% to \$2.03 from \$1.55 for the same period in 2020. Tangible book value per share increased 22.3% to \$12.40 at September 30, 2021 from \$10.14 at December 31, 2020.

Net interest income for the third quarter of 2021 increased \$0.5 million, or 9.6%, to \$6.3 million from \$5.8 million for the same period of 2020. Interest on loans was slightly higher while deposit expenses remained down from lower deposit costs. Noninterest income decreased \$0.4 million, or 1.5%, to \$24.7 million for the three months ended September 30, 2021 from \$25.1 million for the same period in 2020. The decline was due to a decrease in Mortgage Division revenue partially offset by the continued growth in revenue from the Open Banking Division (“OBD”) as well as the Bank Division. The OBD noninterest income increased \$3.2 million, or 75.8%, to \$7.4 million in Q3 of 2021 compared to \$4.2 million in Q3 of 2020. The OBD processed 86.9 million of ACH, sponsorship, processing, card issuance, RDC, and wire transfer transactions during the three months ended September 30, 2021 compared to 42.7 million transactions for the same period in 2020, an increase of 103.2%. The Mortgage Division noninterest income decreased \$4.7 million, or 24.6%, to \$14.3 million in Q3 of 2021 compared to \$19.0 million in Q3 of 2020 due to a decline in refinances. The Mortgage Division closed \$418.8 million mortgage loans in Q3 of 2021 compared to \$437.7 million for Q3 of 2020, a decrease of \$18.9 million, or 4.3%.

Net interest income for the nine months ended September 30th, 2021 increased \$2.4 million, or 15.5%, to \$18.3 million from \$15.9 million for the same period in 2020. Noninterest income increased \$15.1 million, or 25.9%, for the nine months ended September 30th, 2021 to \$73.4 million from \$58.3 million for the same period in 2020. The primary drivers of the increase in noninterest income were exceptional growth in fee income from the OBD and strong results from the Mortgage Division. The OBD noninterest income increased \$8.6 million, or 65.3%, to \$21.7 million in the first nine months of 2021 compared to \$13.1 million for the same period in 2020. The OBD processed 218.8 million of ACH, sponsorship, processing, card issuance, RDC, and wire transfer transactions during the first nine months of 2021 compared to 105.9 million transactions for the same period in 2020, an increase of 106.6%.

The Mortgage Division noninterest income increased \$4.6 million, or 11.2%, to \$44.8 million the first nine months of 2021 compared to \$40.2 million the same period in 2020 due to an increase in mortgage loan production. In the first nine months of 2021 Mortgage loans closed were \$1.3 billion compared to \$995.6 million for the same period in 2020, an increase \$335.0 million, or 33.6%.

Total assets decreased \$62.9 million, or 9.1%, to \$628.7 million at September 30, 2021 from \$691.6 million at December 31, 2020. The decrease was primarily the result of a \$77.1 million decrease in Mortgage loans held for sale, a \$30.1 million decrease in SBA Payroll Protection Program loans, and a \$10.9 million decrease in investment securities. The decrease in assets was partially offset by a \$37.7 million increase in portfolio loans, a \$12.0 million increase in SBA loans held for sale and a \$10.7 million increase in other assets. The increase in portfolio loans was primarily driven by a \$21.2 million increase in Bank Division loans and a \$14.8 million increase in OBD credit card receivables. Total deposits decreased \$65.7 million, or 12.8%, to \$448.6 million at September 30, 2021 from \$514.3 million at December 31, 2020. Total equity increased \$11.1 million to \$61.6 million at September 30, 2021 from \$50.5 million at December 31, 2020, an increase of 21.9%.

Evolve Bank & Trust's Return on Average Assets was 2.05% for the nine months ended September 30, 2021 compared to 1.85% for the same period in 2020. Return on Average Equity was 23.39% for the nine months ended September 30, 2021 compared to 21.86% for the same period in 2020, and regulatory capital, (Tier 1 leverage ratio), at September 30, 2021 was 9.51%.

For more information regarding the financial position at September 30, 2021 and the financial performance for the three and nine months ended September 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 HEADQUARTERS

To support Evolve's extraordinary growth, our Corporate Headquarters will relocate to a new building in 2022. The new, larger space located at 6000 Poplar Ave, Triad I Suite 300 is on the same campus as our current offices. We are working with a best-in-class architect, LRK, to build out the new HQ. It will accommodate more personnel, but more importantly, it will be a brand-new state-of-the-art facility that will increase efficiencies in our operations. Technology will be at the core of the design, and it will create a hub that will support our growing footprint. The layout and functionality of the space is based on an employee survey LRK conducted earlier this year. Our Shady Grove Banking and Conference Center will remain in their current location. We look forward to sharing our plans as they evolve.



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

866.367.2611

EVOLVE NEWS: MONICA WHARTON APPOINTED TO BOARD OF DIRECTORS

Evolve announced it has appointed Monica Wharton to its Board of Directors. Wharton has an extensive track record of achievement and leadership excellence serving as a senior health care executive since 2008. She is currently the Executive Vice President and Chief Administrative Officer for Methodist LeBonheur Healthcare, Memphis, TN. [Read more in the official press release.](#)

WANT TO BUY OR SELL EVOLVE STOCK?

If you are interested in buying or selling Evolve Bancorp stock, please 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,

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

B. Scot Lenoir
Chairman
Evolve Bancorp, Inc.

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.



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

	September 30, 2021 (unaudited)	December 31, 2020 (audited)
ASSETS		
Total cash and cash equivalents	\$ 48,202,614	\$ 52,487,283
Securities available for sale, at fair value	16,149,875	27,011,757
Restricted equity securities, at cost	2,873,850	3,194,750
Mortgage loans held for sale, at fair value	119,395,678	196,449,039
SBA loans held for sale	14,966,092	2,984,702
Loans, net of allowance of \$7,546,709 at 2021 and \$7,032,617 at 2020	363,665,858	325,945,493
Payroll Protection Program (PPP) Loans	22,365,295	52,475,074
Premises and equipment, net	4,332,434	4,929,467
Other assets	36,793,000	26,138,190
	<u>\$ 628,744,696</u>	<u>\$ 691,615,755</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Noninterest bearing demand deposits	\$ 268,819,706	\$ 218,736,861
Interest-bearing	179,817,889	295,564,437
Total deposits	<u>448,637,595</u>	<u>514,301,298</u>
Federal home loan bank advances	40,000,000	45,000,000
Subordinated Debt	21,000,000	-
FRB PPP liquidity facility	25,509,700	52,598,374
Notes Payable	-	5,080,000
Other liabilities	31,977,539	24,087,960
Total liabilities	<u>567,124,834</u>	<u>641,067,632</u>
Shareholders Equity		
Preferred Stock, Class A	3,377,475	3,377,475
Common Stock of 4,493,210 shares outstanding at 2021 and 4,404,272 at 2020	4,979,804	4,884,804
Treasury Stock	(2,495,314)	(2,411,962)
Additional paid-in capital	11,169,665	10,571,494
Retained earnings	44,190,915	33,614,079
Accumulated other comprehensive income	397,317	512,233
Total shareholders' equity	<u>61,619,862</u>	<u>50,548,123</u>
Total liabilities and shareholders' equity	<u>\$ 628,744,696</u>	<u>\$ 691,615,755</u>
Book value per share	\$ 12.96	\$ 10.71
Tangible book value per share	12.40	10.14

EVOLVE BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED INCOME STATEMENTS
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Interest income				
Loans	\$ 6,722,532	\$ 6,340,958	\$ 19,476,559	\$ 17,689,864
Investment securities	73,535	84,659	226,695	238,390
Other	76,476	23,749	171,587	118,683
Total interest income	6,872,543	6,449,366	19,874,841	18,046,937
Interest expense				
Deposits	160,818	361,470	597,473	1,428,492
FHLB advances and other borrowed funds	363,602	296,676	946,960	745,503
Total interest expense	524,420	658,146	1,544,433	2,173,995
Net interest income	6,348,123	5,791,220	18,330,408	15,872,942
Provision for loan losses	124,598	2,809	124,598	441,672
Net interest income after provision for loan losses	6,223,525	5,788,411	18,205,810	15,431,270
Noninterest income				
Mortgage	14,293,393	18,950,130	44,759,121	40,235,180
Open Banking	7,418,472	4,219,825	21,651,770	13,094,916
Bank	2,993,608	1,910,950	6,981,904	4,970,925
Noninterest income	24,705,473	25,080,905	73,392,795	58,301,021
Noninterest expense				
Salaries, commissions, and employee benefits	18,697,095	17,973,326	55,624,119	43,571,400
Occupancy and equipment	1,358,367	1,048,983	3,511,033	2,950,849
Other	5,754,261	4,980,981	18,009,898	16,447,328
Noninterest expense	25,809,723	24,003,290	77,145,050	62,969,577
Income before income taxes	5,119,275	6,866,026	14,453,555	10,762,714
Income tax expense	1,329,679	1,799,524	3,750,063	2,828,068
Net income	\$ 3,789,596	\$ 5,066,502	\$ 10,703,492	\$ 7,934,646
Earnings per share basic	\$ 0.84	\$ 1.17	\$ 2.37	\$ 1.81
Earnings per share diluted	\$ 0.71	\$ 0.99	\$ 2.03	\$ 1.55

EVOLVE BANK & TRUST FINANCIAL HIGHLIGHTS

(dollars in thousands)

(unaudited)

Balance Sheet Data	September 30, 2021	December 31, 2020
Portfolio Loans (Excluding PPP Loans)	\$ 371,213	\$ 332,975
PPP Loans	22,365	52,475
Mortgage Loans Held for Sale	119,396	196,449
SBA Loans Held for Sale	14,966	2,985
Total Loans	527,940	584,884
Investment Securities	16,150	27,012
Total Assets	628,521	691,611
Total Deposits	461,865	514,782
Net Loans to Deposits	112.67%	112.25%
Net Loans to Deposits Excluding PPP Loans	107.83%	102.06%
Capital Ratios	September 30, 2021	December 31, 2020
Tier 1 Leverage Ratio	9.51%	8.54%
Tier 1 Risk-Based Capital Ratio	14.33%	12.15%
Total Risk Based Capital Ratio	15.58%	13.41%
Asset Quality	September 30, 2021	December 31, 2020
Allowance for Loan Losses (ALL)	\$ 7,547	\$ 7,033
Non Accrual Loans	4,956	3,544
Other Real Estate Owned	660	735
Non-Accrual Loans to Total Loans	0.94%	0.61%
ALL (Excluding HFS & PPP)	2.03%	2.11%
Profitability Ratios	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Return on Average Assets	2.05%	1.85%
Return on Average Equity	23.39%	21.86%
Net Interest Margin	3.98%	4.20%