

September 7, 2022

Dear valued Shareholders, Customers and Friends:

Evolve Bancorp, Inc. (“EBI”) is pleased to report strong financial results for the second quarter of 2022. Net income for the three months ended June 30, 2022, increased 96.9% to \$5.1 million compared to \$2.6 million for same period in 2021. Diluted earnings per share for the second quarter of 2022 increased 90.0% to \$0.95 from \$0.50 for the second quarter of 2021. Tangible book value per share was \$13.68 at June 30, 2022 compared to \$12.76 at December 31, 2021.

Net interest income for the second quarter of 2022 increased \$1.2 million, or 21.0%, to \$6.9 million from \$5.7 million for the same period in 2021. Noninterest income increased \$2.3 million, or 10.0%, to \$25.2 million for the second quarter of 2022 from \$22.9 million in the second quarter of 2021. The increase in noninterest income was due primarily to an increase in Open Banking Division (“OBD”) revenue driven by growth in fee income and income earned on deposits transferred off balance sheet. The increase in OBD revenue was partially offset by a decrease in Mortgage Division revenue resulting from significantly increased mortgage interest rates. The OBD noninterest income increased \$8.1 million, or 88.6%, to \$17.3 million in Q2 of 2022 compared to \$9.2 million in Q2 of 2021. The OBD noninterest income includes revenues generated from providing wire transfers, ACH processing, debit and credit card issuance and acquiring, and other payment processing solutions. The OBD processed 133.8 million transactions during the second quarter of 2022 compared to 76.2 million transactions for the same period in 2021, an increase of 75.7%. The Mortgage Division noninterest income decreased \$5.6 million, or 45.8%, to \$6.7 million during Q2 of 2022 from \$12.3 million in Q2 of 2021. In the second quarter of 2022, mortgage loan closings were \$274.1 million compared to \$378.1 million for the same period in 2021. Noninterest expense was unchanged at \$25.0 million for the second quarters of 2022 and 2021.

Total Assets increased \$510.2 million, or 64.6%, to \$1.3 billion at June 30, 2022 from \$789.9 million at December 31, 2021. The increase was primarily the result of the addition of \$380.7 million of held to maturity investments, a \$123.4 million increase in portfolio loans, and a \$98.8 million increase in cash, which was partially offset by a \$71.4 million decrease in mortgage loans held for sale. Total deposits increased \$484.2 million, or 77.3%, to \$1.1 billion at June 30, 2022 from \$626.4 million at December 31, 2021. Total equity increased \$6.5 million to \$70.5 million at June 30, 2022 from \$64.0 million at December 31, 2021, an increase of 10.2%.

Net income for the six months ended June 30, 2022, decreased 5.6% to \$6.5 million compared to \$6.9 million for same period in 2021. Diluted earnings per share for the first half of 2022 decreased 8.3% to \$1.21 from \$1.32 for the first half of 2021. Net interest income for the six months ended June 30, 2022 increased \$0.9 million, or 7.60%, to \$12.9 million from \$12.0 million for the same period in 2021. Noninterest income decreased \$4.3 million, or 8.8%, to \$44.4 million for first six months of 2022 from \$48.7 million for the same period of 2021.

Mortgage noninterest income decreased \$16.0 million, or 52.4%, to \$14.5 million during the first six months of 2022 from \$30.5 million in the same period of 2021. Loan closings were \$555.1 million and \$911.8 million for the first half of 2022 and 2021, respectively. The OBD noninterest income increased \$12.4 million, or 86.9%, to \$26.6 million in the first half of 2022 compared to \$14.2 million in the first half of 2021. The OBD processed 247.0 million transactions during the first six months of 2022 compared to 139.0 million transactions for the same period in 2021, an increase of 77.8%. Noninterest expense decreased \$3.0 million, or 5.8%, to \$48.3 million for the first six months of 2022 compared to \$51.3 million for the same period in 2021.

Evolve Bank & Trust's Return on Average Assets was 1.46% for the six months ended June 30, 2022, compared to 1.99% for the same period in 2021. Return on Average Equity was 17.60% for the first half of 2022, compared to 23.33% for the same period in 2021, and regulatory capital, (Tier 1 leverage ratio), at June 30, 2022 was 8.77%.

On July 29, 2022, Evolve Bancorp, Inc. paid a one-time \$1.00 per share dividend to common and Class A preferred shareholders of record as of July 15, 2022.

For more information regarding the financial position at June 30, 2022 and the financial performance for the three and six months ended June 30, 2022 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: EVOLVE MARKS MAJOR MILESTONE

In June, for the first time in Evolve's history, we surpassed \$1 Billion in bank assets. When we started Evolve in 2005, our vision was to be an innovative financial services firm, to provide superior service to our customers, to support our employees and the communities we serve, and to return value to our shareholders. Since then, we have grown into a best-in-class financial technology company. Thank you for your continued support over the years.

EVOLVE NEWS: KRISTEN KINES NAMED ONE OF THE MOST INFLUENTIAL WOMEN IN PAYMENTS

Kristen Kines, Vice President and Business Development Officer for our Open Banking Division, has been honored in the American Banker's *Most Influential Women in Payments: Next 2022* awards which recognizes women under 40 who have demonstrated a strong talent for leadership and an expertise in their fields. [Click here to read the full article.](#)

EVOLVE NEWS: JONESBORO, AR NOW A FULL-SERVICE BANKING CENTER

In July, our Jonesboro Financial Center transitioned to a Full-Service Banking Center offering services such as Checking and Savings Accounts, Mobile Banking, CDs, IRAs, Trusts, and Loans. The Jonesboro team worked closely with the Marketing Department to spread the word about their new service offerings which included offering a \$200 promotion to new customers who opened a new checking account.

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,



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](#), [Personal](#) and [Business Banking](#), [Mortgage](#), [SBA Lending](#), [Physicians Capital](#), [Community Funding](#) 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 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.

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

	June 30, 2022 <u>(unaudited)</u>	December 31, 2021 <u>(audited)</u>
ASSETS		
Total cash and cash equivalents	\$ 169,708,354	\$ 70,925,052
Securities available for sale, at fair value	14,335,095	41,877,304
Investments held to maturity	380,747,846	-
Restricted equity securities, at cost	3,064,100	2,878,350
Mortgage loans held for sale, at fair value	67,492,742	138,856,689
SBA loans held for sale	14,550,631	7,401,075
Loans, net of allowance of \$8,360,926 at 2022 and \$8,052,413 at 2021	532,453,012	409,045,041
Payroll Protection Program (PPP) Loans	231,674	11,397,278
Premises and equipment, net	5,824,094	4,002,745
Other assets	111,685,612	103,546,294
	<u>\$ 1,300,093,160</u>	<u>\$ 789,929,828</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Noninterest bearing demand deposits	\$ 424,300,641	\$ 431,387,029
Interest-bearing demand deposits	686,214,078	194,969,142
Total deposits	1,110,514,719	626,356,171
Federal home loan bank advances	40,000,000	40,000,000
Subordinated Debt	30,861,532	20,589,369
Notes payable and other borrowings	198,200	11,729,504
Other liabilities	47,987,010	27,248,550
Total liabilities	1,229,561,461	725,923,594
Shareholders Equity		
Preferred Stock, Class A, Convertible Class, 675,495 shares outstanding at 2022 and 2021	3,377,475	3,377,475
Common Stock, 4,735,915 shares outstanding at 2022 and 4,554,460 at 2021	5,212,509	5,041,054
Treasury Stock	(2,495,314)	(2,495,314)
Additional paid-in capital	12,269,571	11,391,726
Retained earnings	52,858,489	46,413,072
Accumulated other comprehensive income	(691,031)	278,221
Total shareholders' equity	70,531,699	64,006,234
	<u>\$ 1,300,093,160</u>	<u>\$ 789,929,828</u>
Book value per share	\$ 14.21	\$ 13.31
Tangible book value per share	13.68	12.76

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

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Interest income				
Loans	\$ 6,873,048	\$ 6,090,326	\$ 13,239,885	\$ 12,754,027
Investment securities	958,981	75,684	1,039,694	153,160
Other	192,234	74,362	243,051	95,111
Total interest income	8,024,263	6,240,372	14,522,630	13,002,298
Interest expense				
Deposits	680,591	206,310	814,405	436,655
FHLB advances and other borrowed funds	459,767	346,305	818,370	583,358
Total interest expense	1,140,358	552,615	1,632,775	1,020,013
Net interest income	6,883,905	5,687,757	12,889,855	11,982,285
Provision for loan losses	91,672	-	217,334	-
Net interest income after provision for loan losses	6,792,233	5,687,757	12,672,521	11,982,285
Noninterest income				
Mortgage	6,650,457	12,275,212	14,507,734	30,465,728
Open Banking	17,332,638	9,188,577	26,604,301	14,233,298
Bank	1,170,324	1,403,410	3,296,240	3,988,296
Noninterest income	25,153,419	22,867,199	44,408,275	48,687,322
Noninterest expense				
Salaries, commissions, and employee benefits	16,361,170	16,987,029	32,472,623	36,927,024
Occupancy and equipment	1,486,506	1,086,032	2,746,560	2,152,666
Other	7,170,614	6,971,688	13,120,649	12,255,637
Noninterest expense	25,018,290	25,044,749	48,339,832	51,335,327
Income before income taxes	6,927,362	3,510,207	8,740,964	9,334,280
Income tax expense	1,813,453	913,044	2,211,110	2,420,384
Net income	\$ 5,113,909	\$ 2,597,163	\$ 6,529,854	\$ 6,913,896
Earnings per share basic	\$ 1.09	\$ 0.57	\$ 1.39	\$ 1.53
Earnings per share diluted	\$ 0.95	\$ 0.50	\$ 1.21	\$ 1.32

EVOLVE BANK & TRUST FINANCIAL HIGHLIGHTS

(dollars in thousands)
(unaudited)

Balance Sheet Data	June 30, 2022	December 31, 2021
Portfolio Loans	\$ 541,046	\$ 428,495
Mortgage Loans Held for Sale	67,493	138,856
SBA Loans Held for Sale	14,550	7,401
Total Loans	623,089	574,752
Investment Securities	394,344	41,877
Total Assets	1,299,413	788,114
Total Deposits	1,123,686	639,129
Net Loans to Deposits	54.71%	88.67%
Capital Ratios	June 30, 2022	December 31, 2021
Tier 1 Leverage Ratio	8.77%	9.82%
Tier 1 Risk-Based Capital Ratio	10.38%	12.60%
Total Risk Based Capital Ratio	11.40%	13.85%
Asset Quality	June 30, 2022	December 31, 2021
Allowance for Loan Losses (ALL)	\$ 8,361	\$ 8,052
Non Accrual Loans	6,981	4,730
Other Real Estate Owned	-	615
Non-Accrual Loans to Total Loans	1.12%	0.82%
ALL to Total Loans (Excl HFS)	1.55%	1.88%
Profitability Ratios	6 Months Ended June 30, 2022	6 Months Ended June 30, 2021
Return on Average Assets - annualized	1.46%	1.99%
Return on Average Equity - annualized	17.60%	23.33%
Net Interest Margin	3.51%	3.91%