

December 5, 2022

Dear valued Shareholders, Customers and Friends:

Evolve Bancorp, Inc. (“EBI”) is pleased to report exceptional financial results for the third quarter of 2022. Net income for the three months ended September 30, 2022 increased 152.8% to \$9.6 million compared to \$3.8 million for same period in 2021. Diluted earnings per share for the quarter increased 149.3% to \$1.77 from \$0.71 for the same period in 2021. Tangible book value per share rose 13.7% to \$14.51 at September 30, 2022 compared to \$12.76 at December 31, 2021.

Income Statement – Third Quarter 2022 v. Third Quarter 2021

Net interest income for the third quarter of 2022 increased \$1.8 million, or 28.4%, to \$8.2 million from \$6.3 million in the third quarter of 2021. The increase was due primarily to interest income on investments of \$2.2 million compared to \$0.1 million in the prior year. EBI has strategically grown its investment portfolio to capture higher interest rates available in the bond market. Interest income on loans increased as well, but it was offset by increases in deposit expenses.

Noninterest income for the third quarter of 2022 increased \$7.3 million, or 29.6%, to \$32.0 million from \$24.7 million in the third quarter of 2021. Noninterest income growth for the quarter was driven by Open Banking Division (“OBD”) revenue which grew \$15.0 million from increases in fee income and income earned on deposits. OBD noninterest income includes revenues generated from wire transfers, ACH processing, debit and credit card issuance and acquiring, and other payment processing solutions. In the third quarter, OBD processed 146.2 million transactions compared to 87.1 million transactions in the third quarter of 2021, a 67.9% increase. The OBD growth in noninterest income was partially offset by a \$6.7 million decrease in Mortgage Division noninterest income. High interest rates and lower demand have led to a challenging market for mortgages. Mortgage Division loan closings were \$241.0 million in the third quarter of 2022 compared to \$418.8 million in the third quarter of 2021.

Noninterest expense for the third quarter of 2022 grew \$1.1 million, or 4.4%, to \$26.9 million from \$25.8 million in the third quarter of 2021.

Balance Sheet – September 30, 2022 v. December 31, 2021

Total assets increased \$507.5 million, or 64.2%, to \$1.3 billion at September 30, 2022 from \$789.9 million at December 31, 2021. The increase was primarily the result of the addition of \$367.7 million of held to maturity investments and a \$214.0 million increase in portfolio loans and was partially offset by a \$92.2 million decrease in mortgage loans held for sale. Total deposits at September 30, 2022 increased \$455.5 million, or 72.7%, to \$1.1 billion from \$626.4 million at December 31, 2021. Total equity at September 30, 2022 increased \$10.6 million to \$74.6 million from \$64.0 million at December 31, 2021.

Income Statement – YTD September 30, 2022 v. YTD September 30, 2021

Net income for the nine months ended September 30, 2022 increased \$5.4 million, or 50.5%, to \$16.1 million from \$10.7 million for the same period 2021. Diluted earnings per share were \$2.98 YTD compared to \$2.03 for the same period in 2021, a 46.8% increase.

Net interest income through September 30, 2022 increased \$2.7 million, or 14.8%, to \$21.0 million from \$18.3 million for the same period in 2021.

Noninterest income through September 30, 2022 increased \$3.0 million, or 4.1%, to \$76.4 million from \$73.4 million for the same period in 2021. The OBD noninterest income increased \$27.4 million, or 126.5%, to \$49.0 million in 2022 from \$21.6 million in 2021. The OBD processed 393.2 million transactions in 2022 compared to 219.2 million in 2021, an increase of 79.4%. Mortgage Division noninterest income decreased \$22.7 million, or 50.7%, to \$22.1 million in 2022 from \$44.8 million in 2021. Year-to-date loan closings were \$796.2 million in 2022 and \$1.3 billion in 2021.

Noninterest expense for the nine months ended September 30, 2022 decreased \$1.8 million, or 2.4%, to \$75.3 million from \$77.1 million for the same period in 2021.

Key Ratios

Evolve Bank & Trust's Return on Average Assets was 2.10% for the nine months ended September 30, 2022, compared to 2.05% for the same period in 2021. Return on Average Equity was 25.94% for the same period in 2022 compared to 23.39% in 2021. Regulatory capital, (Tier 1 leverage ratio), at September 30, 2022 was 8.06%.

For more information regarding the financial position at September 30, 2022 and the financial performance for the three and nine months ended September 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: ROBERT DUCKLO APPOINTED GENERAL COUNSEL, CORPORATE SECRETARY

Robert Ducklo has been named **General Counsel, Corporate Secretary** for Evolve. For the last 15 years, Robert has served as Senior Vice President and Counsel for FHN Financial, the capital markets division of First Horizon Bank. Prior, he was a Partner at Gerrish & McCreary Law Firm where he represented community banks nationwide. Robert is a licensed attorney in Tennessee. He received a Juris Doctor from the University of Tennessee College of Law and a Bachelor of Arts in European History from Washington and Lee University. Read the news release [here](#).

Robert fills the vacancy left by former General Counsel Rusty Barham, who passed away in September after a battle with cancer.

EVOLVE NEWS: DAVINA BERGIN ELECTED TO NAGGL BOARD

In October 2022, the National Association of Government Guaranteed Lenders (“NAGGL”) Board of Directors voted to appoint **Davina Bergin, SBA Lending Division President**, to fulfill a vacant lender term through December 2024. Bergin has more than 30 years of experience in SBA Lending. Prior to joining Evolve, she was Senior Vice President, Chief Development Officer for immito, LLC. Bergin has also served in numerous senior management roles including Senior Vice President, SBA Production Director for Umpqua Bank; Vice President, SBA Market Manager, Rabobank; Executive Vice President, Coast National Bank; and Vice President, SBA Lending Mission Community Bank. Read the news release [here](#).

EVOLVE NEWS: BECKY BOWERS NAMED COMMUNITY BANK PRESIDENT

Becky Bowers has been named **Community Bank President, Memphis**. She has more than 25 years of experience in banking. Becky joined Evolve in October of 2011 as Vice President, Bank Branch Manager, Private Banker and then in March of 2018 was named Senior Vice President, Private Banking and Commercial Lending. Prior to Evolve, she served in a variety of roles with Bank of Bartlett and First Capital Bank. Becky was also a Faculty Professor for the University of Phoenix where she taught Finance for Business, Business Communications and Critical Thinking. Becky received a Master of Business Administration from the University of Memphis and a Bachelor of Arts in Organizational Communications from Lipscomb University. She is active in her community serving on the board of the Risk Management Association as well as a mentor for Hope Works. Becky was named a Power Player in Banking by Memphis, The City Magazine in 2018, 2020, 2021 and 2022. Read the news release [here](#).

EVOLVE NEWS: NEW CORPORATE HEADQUARTERS

To support our growth, Evolve’s Corporate Headquarters relocated to a new building in November of 2022. The new, larger space (6000 Poplar Ave, Triad I Suite 300) is on the same campus of our previous offices. Evolve engaged best-in-class architect, LRK, to build out the new space. It accommodates more personnel, but more importantly, it is a brand-new state-of-the-art facility that increases efficiencies in our operations. Technology is at the core of the design, and it has created 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 Center and Trust Division remain in their current location.



Triad Centre I
6000 Poplar Avenue
Suite 300
Memphis, TN 38119

866.367.2611

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](#), [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**

	September 30, 2022 (unaudited)	December 31, 2021 (audited)
ASSETS		
Total cash and cash equivalents	\$ 97,994,134	\$ 70,925,052
Securities available for sale, at fair value	14,115,681	41,877,304
Investments held to maturity	367,737,284	-
Restricted equity securities, at cost	3,441,800	2,878,350
Mortgage loans held for sale, at fair value	46,698,212	138,856,689
SBA loans held for sale	15,280,789	7,401,075
Loans, net of allowance of \$8,616,535 at 2022 and \$8,052,413 at 2021	623,021,829	409,045,041
Payroll Protection Program (PPP) Loans	33,474	11,397,278
Premises and equipment, net	8,186,149	4,002,745
Other assets	120,940,953	103,546,294
	<u>\$ 1,297,450,305</u>	<u>\$ 789,929,828</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Noninterest bearing demand deposits	\$ 555,037,202	\$ 431,387,029
Interest-bearing demand deposits	526,799,904	194,969,142
Total deposits	1,081,837,106	626,356,171
Federal home loan bank advances	35,000,000	40,000,000
Subordinated Debt	30,879,774	20,589,369
Notes payable and other borrowings	-	11,729,504
Other liabilities	75,115,341	27,248,550
Total liabilities	1,222,832,221	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	5,222,509	5,041,054
Treasury Stock	(2,495,314)	(2,495,314)
Additional paid-in capital	12,315,690	11,391,726
Retained earnings	56,987,496	46,413,072
Accumulated other comprehensive income	(789,772)	278,221
Total shareholders' equity	74,618,084	64,006,234
	<u>\$ 1,297,450,305</u>	<u>\$ 789,929,828</u>
Book value per share	\$ 15.04	\$ 13.31
Tangible book value per share	14.51	12.76

EVOLVE BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED INCOME STATEMENTS

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Interest income				
Loans	\$ 8,237,296	\$ 6,722,532	\$ 21,477,181	\$ 19,476,559
Investment securities	2,205,209	73,535	3,244,903	226,695
Other	415,346	76,476	658,397	171,587
Total interest income	10,857,851	6,872,543	25,380,481	19,874,841
Interest expense				
Deposits	2,243,855	160,818	3,058,260	597,473
FHLB advances and other borrowed funds	460,662	363,602	1,279,032	946,960
Total interest expense	2,704,517	524,420	4,337,292	1,544,433
Net interest income	8,153,334	6,348,123	21,043,189	18,330,408
Provision for loan losses	200,000	124,598	417,334	124,598
Net interest income after provision for loan losses	7,953,334	6,223,525	20,625,855	18,205,810
Noninterest income				
Mortgage	7,567,157	14,293,393	22,074,891	44,759,121
Open Banking	22,442,232	7,418,472	49,046,533	21,651,770
Bank	2,002,967	2,993,608	5,299,207	6,981,904
Noninterest income	32,012,356	24,705,473	76,420,631	73,392,795
Noninterest expense				
Salaries, commissions, and employee benefits	15,934,759	18,697,095	48,407,382	55,624,119
Occupancy and equipment	1,369,764	1,358,367	4,116,324	3,511,033
Other	9,644,960	5,754,261	22,765,609	18,009,898
Noninterest expense	26,949,483	25,809,723	75,289,315	77,145,050
Income before income taxes	13,016,207	5,119,275	21,757,171	14,453,555
Income tax expense	3,434,572	1,329,679	5,645,682	3,750,063
Net income	\$ 9,581,635	\$ 3,789,596	\$ 16,111,489	\$ 10,703,492
Earnings per share basic	\$ 2.03	\$ 0.84	\$ 3.42	\$ 2.37
Earnings per share diluted	\$ 1.77	\$ 0.71	\$ 2.98	\$ 2.03

EVOLVE BANK & TRUST FINANCIAL HIGHLIGHTS

(dollars in thousands)
(unaudited)

Balance Sheet Data	September 30, 2022	December 31, 2021
Portfolio Loans	\$ 631,672	\$ 428,495
Mortgage Loans Held for Sale	46,698	138,856
SBA Loans Held for Sale	15,281	7,401
Total Loans	693,651	574,752
Investment Securities	381,114	41,877
Total Assets	1,296,644	788,114
Total Deposits	1,083,837	639,129
Net Loans to Deposits	63.20%	88.67%
Capital Ratios	September 30, 2022	December 31, 2021
Tier 1 Leverage Ratio	8.06%	9.82%
Tier 1 Risk-Based Capital Ratio	11.29%	12.60%
Total Risk Based Capital Ratio	12.26%	13.85%
Asset Quality	September 30, 2022	December 31, 2021
Allowance for Loan Losses (ALL)	\$ 8,617	\$ 8,052
Non Accrual Loans	6,820	4,730
Other Real Estate Owned	-	615
Non-Accrual Loans to Total Loans	0.98%	0.82%
ALL to Total Loans (Excl HFS)	1.36%	1.88%
Profitability Ratios	9 Months Ended September 30, 2022	9 Months Ended September 30, 2021
Return on Average Assets - annualized	2.10%	2.05%
Return on Average Equity - annualized	25.94%	23.39%
Net Interest Margin	3.33%	3.98%