

PRESS RELEASE

FOR IMMEDIATE RELEASE:

Aquesta Financial Holdings, Inc Announces Results of Operations for the Fourth Quarter of 2017

CORNELIUS, NC – January 26, 2018 -- Aquesta Financial Holdings, Inc and subsidiaries (“Aquesta”) (OTC Market symbol AQFH) – including its primary subsidiary Aquesta Bank announced today excellent earnings and loan growth for the fourth quarter of 2017 (three month period ending December 31, 2017). For the fourth quarter of 2017, Aquesta had unaudited net income of \$204,000 (6 cents per share) compared to fourth quarter of 2016 net income of \$529,000 (16 cents per share). For the twelve months ended December 31, 2017 net income was \$1.9 million (58 cents per share) compared to the twelve months ended December 31, 2016 of \$2.2 million (69 cents per share).

The decrease in Aquesta’s 2017 net income was due to a one-time tax adjustment relating to The Tax Cuts and Jobs Act. Because of a change in tax rates, Aquesta booked a one-time decrease to its deferred tax asset and a corresponding increase of \$404,000 to tax expense. The Tax Act lowered Aquesta’s federal corporate tax rate from 34% to 21%, which should result in reduced taxes and higher earnings going forward. Net Income for the twelve months ended December 31, 2017 excluding this one-time adjustment was \$2.3 million, a new record for Aquesta earnings.

Jim Engel, CEO & President of Aquesta said, “I am pleased to announce continued excellent earnings excluding a one-time charge combined with excellent growth for the year. Our almost 22 percent loan growth for the year reflects positively on our people and our strategy. While this quarter’s net income was negatively impacted by the accounting adjustment resulting from Tax Reform, we believe the reduced tax expense going forward will quickly repay the adjustment.”

Key Highlights

- Loan growth of \$54.5 million for the twelve months ended December 31, 2017 or 21.7 percent
- Core deposit growth of \$38.6 million for the twelve months ended December 31, 2017 or 18.8 percent
- Continued solid asset quality with low nonperforming loans and no foreclosed property
- Paid the fifth annual consecutive cash dividend to shareholders
- Purchase of the assets of Paladin Insurance Group, LLC located in Murrells Inlet, SC
- Expanded Aquesta’s South Carolina presence into the Charleston market

Solid Balance Sheet Growth

At December 31, 2017, Aquesta’s total assets were \$408.6 million compared to \$353.1 million at December 31, 2016. Total loans were \$305.3 million at December 31, 2017 compared to \$250.8 million at December 31, 2016. Core deposits were \$243.9 million at December 31, 2017 compared to \$205.3 million at December 31, 2016.

Strong Asset Quality

Asset quality remains very strong. Nonperforming assets as of December 31, 2017 were at \$27 thousand compared to \$1.7 million as of December 31, 2016. Aquesta had \$27 thousand in nonaccrual loans as of

December 31, 2017 compared to \$122 thousand in nonaccrual loans as of December 31, 2016. Aquesta had no foreclosed property at the end of 2017 compared to \$1.5 million at the end of 2016.

Net Interest Income

Net interest income was \$12.6 million for the twelve months ended December 31, 2017 compared to \$11.0 million for the twelve months ended December 31, 2016. This is an increase of \$1.6 million or 14.1%. The increase in net interest income continues to be directly associated with Aquesta’s continued loan growth.

Non Interest Income

Non interest income was \$3.8 million for the twelve months ended December 31, 2017 compared to \$5.2 million for the twelve months ended December 31, 2016. This decrease is primarily due to reduced gains on sales of investment securities and SBA loans.

Non Interest Expense

Non interest expense was \$12.6 million for the twelve months ended December 31, 2017 compared to \$12.6 million for the twelve months ended December 31, 2016. Non interest expense stayed consistent even as Aquesta continues to expand. Personnel expense was at \$8.0 million for the twelve months ended December 31, 2017 compared to \$7.8 million for the twelve months ended December 31, 2016.

Occupancy expense decreased by \$82 thousand for the twelve months ended December 31, 2017 compared to the twelve months ending December 31, 2016. The decrease in occupancy expense was due to the consolidation of the Wilmington bank branch and insurance agency offices. Aquesta had \$60 thousand in OREO losses for the twelve months ended December 31, 2017 as compared to \$243 thousand for the twelve months ending December 31, 2016.

Below are the following financial highlights for comparison:

Aquesta Financial Holdings, Inc.

Select Financial Highlights

(Dollars in thousands, except per share data)

	<u>12/31/17</u>	<u>12/31/16</u>
	(unaudited)	(audited)
Period End Balance Sheet Data:		
Loans	\$ 305,319	\$ 250,808
Allowance for loan and lease losses	2,817	2,650
Investment securities	61,911	65,137
Goodwill	895	687
Insurance agency intangible	1,678	1,752
Total assets	408,642	353,108
Core deposits	243,906	205,302
CDs and IRAs	61,183	64,004
Shareholders equity	29,772	27,203
Ending shares outstanding	3,310,633	3,280,314
Book value per share	8.99	8.29
Tangible book value per share	8.22	7.55

	For the three months ended		For the twelve months ended	
	12/31/17 (unaudited)	12/31/16 (audited)	12/31/17 (unaudited)	12/31/16 (audited)
Income and Per Share Data:				
Interest income	\$ 4,190	\$ 3,482	\$ 15,212	\$ 13,037
Interest expense	821	545	2,644	2,024
Net interest income	3,369	2,937	12,568	11,013
Provision for loan losses	-	64	170	260
Net interest income after provision for loan losses	3,369	2,873	12,398	10,753
Non interest income	916	1,176	3,759	5,175
Non interest expense	3,229	3,254	12,638	12,645
Income before income taxes	1,056	795	3,519	3,283
Income tax expense DTA writedown	404	-	404	-
Income tax expense	448	266	1,211	1,127
Net income	\$ 204	\$ 529	\$ 1,904	\$ 2,156
Earnings per share - basic	\$ 0.06	\$ 0.16	\$ 0.58	\$ 0.69
Earnings per share - diluted	0.06	0.16	0.54	0.66
Weighted average shares - basic	3,310,599	3,231,591	3,303,607	3,110,909
Weighted average shares - diluted	3,574,241	3,406,846	3,528,915	3,286,164
	12/31/17 (unaudited)	12/31/16 (audited)		
Select performance ratios:				
Return on average assets	0.50%	0.67%		
Return on average equity	6.68%	8.49%		
Asset quality data:				
90 days or more and accruing	\$ -	\$ -		
Non accrual loans	27	122		
Other real estate loans	-	1,539		
Total non performing assets	27	1,661		
Troubled debt restructurings	\$ 55	\$ 293		
Non performing assets / total assets	0.01%	0.48%		
Allowance for loan losses / total loans	0.92%	1.06%		

Aquesta Financial Holdings, Inc. is the holding company to its wholly owned subsidiary, Aquesta Bank. Aquesta Bank is a full service community bank headquartered in Comelius, North Carolina with seven branches in the Charlotte, Lake Norman and Wilmington areas and loan production offices in Greenville and Charleston, South Carolina. In addition, Aquesta offers property, casualty and health insurance products through its wholly owned subsidiary, Aquesta Insurance Services, Inc. an independent agency.

For additional information, please contact Kristin Couch (Executive Vice President and Chief Financial Officer) or Jim Engel (Chief Executive Officer and President) at 704-439-4343 or visit us online at www.aquesta.com.

Information in this press release may contain forward looking statements that might involve risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include without limitation, the effects of future economic conditions, governmental fiscal and monetary policies, legislative and regulatory changes, and changes in interest rates.