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## **PRESS RELEASE**

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FOR IMMEDIATE RELEASE:

### **Aquesta Financial Holdings, Inc Announces Results of Operations for the Third Quarter of 2020**

CORNELIUS, NC – October 21, 2020 -- Aquesta Financial Holdings, Inc and subsidiaries (“Aquesta”) (OTC Market symbol AQFH) – including its subsidiary Aquesta Bank announced today net income for the third quarter of 2020 (three month period ending September 30, 2020). For the third quarter of 2020, Aquesta had unaudited net income of \$1.1 million (20 cents per share) compared to third quarter of 2019 net income of \$1.0 million (19 cents per share). Thus, earnings grew at 10.7 percent for the third quarter of 2020 compared to the third quarter of 2019.

Jim Engel, CEO and President of Aquesta, said “Despite the continued economic uncertainty caused by the COVID-19 pandemic, we at Aquesta experienced another quarter of solid growth in earnings, core deposits and loans. In addition to our strong performance, we continue to focus on serving our communities and customers. Specifically, after aggressively participating in the Payroll Protection Program (“PPP”) earlier in the year, we now shift our focus to helping our remaining 1,052 PPP customers seek forgiveness of their loans as well as assisting all our customers in any way possible. We look to continue our commitment to service and strong performance as we approach the end of 2020.”

#### **Key Highlights**

- Total loan growth of \$163.4 million for the first nine months of 2020. Loan growth was primarily due to PPP loans as Aquesta focused resources on helping our communities. The increase in total loan portfolio size related to these PPP loans is expected to be temporary and will decrease as the PPP loans are forgiven and/or paid down. However, organic loan growth was strong in the third quarter of 2020 as the net increase in non-PPP loans was \$21.1 million.
- Total core deposit growth of \$100.0 million for the first nine months of 2020 (annualized 35.7 percent). Core deposit growth was due to the large number of new deposit customers brought to Aquesta by PPP loans and organic growth.
- Earnings growth for the third quarter of 2020 increased by 10.7 percent compared to the third quarter of 2019.
- Received FDIC approval to open a branch in Mount Pleasant, SC.

#### **Solid Balance Sheet Growth**

At September 30, 2020, Aquesta’s total assets were \$685.0 million compared to \$523.0 million at December 31, 2019. Total loans were \$578.5 million at September 30, 2020 compared to \$415.1 million at December 31, 2019. 2020 loan growth was primarily driven by PPP loans, which totaled \$146.3 million as of September 30, 2020. However, organic loan growth continues to improve as the net increase in non-PPP loans was \$21.1 million in the third quarter of 2020. Core deposits were \$473.6 million at September 30, 2020 compared to \$373.6 million at December 31, 2019.

#### **Asset Quality**

Nonperforming assets were at \$7.9 million as of September 30, 2020 compared to \$1.2 million as of December 31, 2019. Aquesta had \$7.9 million in non-accrual loans as of September 30, 2020 compared to \$1.2 million as of December 31, 2019. The increase of both nonperforming assets and non-accrual loans is primarily related to a small concentration of customers. Aquesta held no Other Real Estate Owned (i.e., “OREO” or foreclosed property) at the end of the 3<sup>rd</sup> quarter 2020 or at the end of the 4<sup>th</sup> quarter 2019.

**Net Interest Income**

Net interest income was \$13.8 million for the nine months ended September 30, 2020 compared to \$12.3 million for the nine months ended September 30, 2019. This is an increase of \$1.5 million or 12.4%. The increase in net interest income is associated with an increased reliance on lower cost core deposits replacing higher cost funding. Additionally, Aquesta was able to accrete \$876 thousand of PPP fees into interest income for PPP loans that were held during the quarter. Aquesta deferred \$3.2 million of PPP fee income which will be recognized in subsequent quarters as PPP loans are forgiven or paid down.

**Provision for Loan Losses**

The provision for loan losses was \$1.5 million for the nine months ended September 30, 2020 compared to \$340 thousand for the nine months ended September 30, 2019. This is an increase of \$1.2 million. The increase is due to the ongoing COVID-19 pandemic and management's estimation of potential losses in the loan portfolio.

The ratio of ALLL to total loans is 0.89% as of September 30, 2020. The ratio of ALLL to total loans, excluding PPP loans, is 1.20% as of September 30, 2020. The ratio of ALLL to total loans, excluding PPP loans and balances guaranteed by the SBA, is 1.38% as of September 30, 2020.

**Non Interest Income**

Non interest income was \$1.8 million for the nine months ended September 30, 2020 compared to \$1.7 million for the nine months ended September 30, 2019.

**Non Interest Expense**

Non interest expense was \$9.7 million for the nine months ended September 30, 2020 compared to \$9.6 million for the nine months ended September 30, 2019.

Personnel expense was at \$5.2 million as of September 30, 2020 compared to \$5.9 million as of September 30, 2019. The decrease in personnel expense is due to the offsetting of salary related costs with PPP origination fees pursuant to ASC 310-20 stemming from the closing and funding of PPP loans.

Occupancy expense increased by \$148 thousand for the nine months ended September 30, 2020 compared to the nine months ending September 30, 2019. The increase is due to the addition of the Rae Farms branch and the adoption of new lease accounting standards which required the recognition of additional rental expense in 2020.

Aquesta had gains on the sale of OREO of \$13 thousand for the nine months ended September 30, 2020 compared to gains on sales of \$18 thousand for the nine months ended September 30, 2019.

Below are the financial highlights for comparison:

Aquesta Financial Holdings, Inc.  
Select Financial Highlights  
(Dollars in thousands, except per share data)

	<u>09/30/20</u>	<u>12/31/19</u>
	(unaudited)	(audited)
<b>Period End Balance Sheet Data:</b>		
Loans	\$ 578,499	\$ 415,071
Allowance for loan and lease losses	5,166	3,868
Investment securities	30,736	56,688
Total assets	684,979	523,010
Core deposits	473,601	373,557
CDs and IRAs	70,308	46,413
Shareholders equity	57,669	53,367
Ending shares outstanding*	5,472,667	5,450,585
Book value per share*	10.54	9.79
Tangible book value per share*	10.53	9.79

\*assumes conversion of Series A Convertible Perpetual Preferred Stock

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>09/30/20</u>	<u>09/30/19</u>	<u>09/30/20</u>	<u>09/30/19</u>
	(unaudited)	(audited)	(unaudited)	(audited)
<b>Income and Per Share Data:</b>				
Interest income	\$ 6,063	\$ 5,696	\$ 17,407	\$ 16,773
Interest expense	986	1,488	3,613	4,503
Net interest income	<u>5,077</u>	<u>4,208</u>	<u>13,794</u>	<u>12,270</u>
Provision for loan losses	<u>375</u>	<u>135</u>	<u>1,508</u>	<u>340</u>
Net interest income after provision for loan losses	<u>4,702</u>	<u>4,073</u>	<u>12,286</u>	<u>11,930</u>
Non interest income	484	344	1,771	1,732
Non interest expense	3,745	3,154	9,692	9,527
Income before income taxes	<u>1,441</u>	<u>1,263</u>	<u>4,365</u>	<u>4,135</u>
Income tax expense	<u>330</u>	<u>259</u>	<u>954</u>	<u>875</u>
Net Income	<u><u>1,111</u></u>	<u><u>1,004</u></u>	<u><u>3,411</u></u>	<u><u>3,260</u></u>

	For the three months ended		For the nine months ended	
	09/30/20 (unaudited)	09/30/19 (audited)	09/30/20 (unaudited)	09/30/19 (audited)
Earnings per share - basic*	\$ 0.20	\$ 0.19	\$ 0.62	\$ 0.62
Earnings per share - diluted*	0.19	0.17	0.59	0.58
Weighted average shares - basic*	5,457,958	5,427,291	5,465,321	5,257,275
Weighted average shares - diluted*	5,728,365	5,775,464	5,798,837	5,610,647

\* assumes conversion of Series A Convertible Perpetual Preferred Stock

	09/30/20 (unaudited)	12/31/19 (audited)
<b>Select performance ratios:</b>		
Return on average assets	0.75%	0.89%
Return on average equity	8.19%	10.03%
<b>Asset quality data:</b>		
90 days or more and accruing	\$ -	\$ -
Non accrual loans	7,889	1,192
Other real estate loans	-	-
Total non performing assets	<u>7,889</u>	<u>1,192</u>
Troubled debt restructurings	\$ 55	\$ 84
Non performing assets / total assets	1.15%	0.23%
Allowance for loan losses / total loans	0.89%	0.93%

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 Cornelius, North Carolina with eight branches in the Charlotte, Lake Norman and Wilmington, North Carolina areas and loan production offices in Raleigh, North Carolina, as well as Greenville and Charleston, South Carolina.

For additional information, please contact Kristin Couch (Executive Vice President and Chief Financial Officer) at 704-439-4343 or visit us online at [www.aquesta.com](http://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.*