

## **PRESS RELEASE**

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FOR IMMEDIATE RELEASE:

### **Aquesta Financial Holdings, Inc Announces Results of Operations for the Second Quarter of 2017**

CORNELIUS, NC – July 20, 2017 -- Aquesta Financial Holdings, Inc and subsidiaries (“Aquesta”) (OTC Market symbol AQFH) – including its primary subsidiary Aquesta Bank announced today net income for the second quarter of 2017 (three month period ending June 30, 2017). For the second quarter of 2017, Aquesta had unaudited net income of \$482,000 (15 cents per share) compared to second quarter of 2016 net income of \$623,000 (20 cents per share).

Jim Engel, CEO and President of Aquesta, said “I’m very pleased with our continued strong loan production. Second quarter loan growth was more than 20 percent annualized. While our core earnings year to date were good with margin improvement and loan volume benefits, net income for the quarter was lower than the same quarter in the prior year. The primary reason for the decrease during this quarter was that this year we did not recognize any SBA (Small Business Administration loans) gains or security gains unlike the same period last year. With increasing interest rates, we strategically chose to keep the variable rate SBA loans we originated to benefit our long term net income in a rising rate environment. Even with this strategic decision, second quarter net income was up an annualized 10.0 percent compared to the first quarter of this current year.”

#### **Key Highlights**

- Loan growth of \$17.3 million for the six months ended June 30, 2017 (annualized 13.8 percent).
- Core deposit growth of \$13.4 million for the six months ended June 30, 2017 (annualized 13.0 percent).

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

At June 30, 2017, Aquesta’s total assets were \$365.6 million compared to \$353.1 million at December 31, 2016. Total loans were \$268.1 million at June 30, 2017 compared to \$250.8 million at December 31, 2016. Core deposits were \$218.7 million at June 30, 2017 compared to \$205.3 million at December 31, 2016.

#### **Strong Asset Quality**

Asset quality remains very strong. Nonperforming assets as of June 30, 2017 were at \$1.8 million compared to \$1.7 million as of December 31, 2016. Aquesta had \$291 thousand in nonaccrual loans as of June 30, 2017 compared to \$122 thousand in nonaccrual loans as of December 31, 2016. Other real estate owned was \$1.5 million at the end of the second quarter 2017, as well as at the end of the fourth quarter 2016. Aquesta only has two pieces of OREO property.

### Net Interest Income

Net interest income was \$5.9 million for the six months ended June 30, 2017 compared to \$5.2 million for the six months ended June 30, 2016. This is an increase of \$711 thousand or 13.6%. The increase in net interest income continues to be directly associated with the Company's continued loan growth.

### Non Interest Expense

Non-interest expense was \$6.4 million for the six months ended June 30, 2017 compared to \$6.1 million for the six months ended June 30, 2016. Non-interest expense increased primarily due to additional personnel as the Company continues to expand. Personnel expense was at \$4.1 million for the six months ended June 30, 2017 compared to \$3.8 million for the six months ended June 30, 2016.

Occupancy expense decreased by \$10 thousand for the six months ended June 30, 2017 compared to the six months ending June 30, 2016. The decrease in occupancy expense was due to the consolidation of the Wilmington bank and insurance branch. Aquesta had \$80 thousand in OREO losses for the six months ended June 30, 2017 as compared to \$153 thousand for the six months ending June 30, 2016.

Below are the following financial highlights for comparison:

Aquesta Financial Holdings, Inc.

Select Financial Highlights

(Dollars in thousands, except per share data)

	<u>06/30/17</u> (unaudited)	<u>12/31/16</u> (audited)
<b>Period End Balance Sheet Data:</b>		
Loans	\$ 268,134	\$ 250,808
Allowance for loan and lease losses	2,771	2,650
Investment securities	60,690	65,137
Goodwill	687	687
Insurance agency intangible	1,584	1,752
Total assets	365,606	353,109
Core deposits	218,657	205,302
CDs and IRAs	57,125	64,004
Shareholders equity	28,691	27,203
Ending shares outstanding	3,307,538	3,280,314
Book value per share	8.67	8.29
Tangible book value per share	7.99	7.55

	For the three months ended		For the six months ended	
	06/30/17 (unaudited)	06/30/16 (audited)	06/30/17 (unaudited)	06/30/16 (audited)
<b>Income and Per Share Data:</b>				
Interest income	\$ 3,628	\$ 3,204	\$ 7,101	\$ 6,132
Interest expense	588	498	1,168	910
Net interest income	<u>3,040</u>	<u>2,706</u>	<u>5,933</u>	<u>5,222</u>
Provision for loan losses	<u>80</u>	<u>15</u>	<u>80</u>	<u>40</u>
Net interest income after provision for loan losses	<u>2,960</u>	<u>2,691</u>	<u>5,853</u>	<u>5,182</u>
Non interest income	1,039	1,432	1,921	2,492
Non interest expense	3,310	3,156	6,438	6,161
Income before income taxes	<u>689</u>	<u>967</u>	<u>1,336</u>	<u>1,513</u>
Income tax expense	<u>207</u>	<u>344</u>	<u>394</u>	<u>520</u>
Net income	<u>\$ 482</u>	<u>\$ 623</u>	<u>\$ 942</u>	<u>\$ 993</u>
Earnings per share - basic	\$ 0.15	\$ 0.20	\$ 0.29	\$ 0.33
Earnings per share - diluted	0.14	0.19	0.27	0.31
Weighted average shares - basic	3,305,328	3,053,665	3,297,045	3,050,932
Weighted average shares - diluted	3,507,733	3,240,611	3,493,764	3,237,878

	06/30/17 (unaudited)	12/31/16 (audited)
<b>Select performance ratios:</b>		
Return on average assets	0.52%	0.67%
Return on average equity	6.74%	8.49%

	06/30/17 (unaudited)	12/31/16 (audited)
<b>Asset quality data:</b>		
90 days or more and accruing	\$ -	\$ -
Non accrual loans	291	122
Other real estate loans	<u>1,479</u>	<u>1,539</u>
Total non performing assets	<u>1,770</u>	<u>1,661</u>

Troubled debt restructurings	\$ 279	\$ 293
Non performing assets / total assets	0.48%	0.48%
Allowance for loan losses / total loans	1.03%	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 Cornelius, North Carolina with seven branches in the south Charlotte, Lake Norman and Wilmington areas and a loan production office in Greenville, 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](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.*

