



PRESS RELEASE

FOR IMMEDIATE RELEASE:

Aquesta Financial Holdings, Inc Announces Results of Operations for the Second Quarter of 2019

CORNELIUS, NC – July 23, 2019 -- Aquesta Financial Holdings, Inc and subsidiaries (“Aquesta”) (OTC Market symbol AQFH) – including its subsidiary Aquesta Bank announced today net income for the second quarter of 2019 (three month period ending June 30, 2019). For the second quarter of 2019, Aquesta had unaudited net income of \$1,188,000 (22 cents per share) compared to second quarter of 2018 net income of \$2,031,000 (51 cents per share). The net income for the second quarter 2018 included a one-time gain of \$1.4 million (after tax and net of transaction costs) on Aquesta’s sale of its insurance agency. Normalized earnings per share exclusive of this one-time gain was \$622,000 or 15 cents per share for the second quarter 2018. Thus, per share normalized earnings grew at 91.0 percent for the second quarter of 2019 compared to the second quarter of 2018.

Jim Engel, CEO and President of Aquesta, said “It has been an exciting quarter for earnings and deposit growth. Our annualized 33.8 percent growth in deposits shows that our employees and community believe in Aquesta’s focus on full banking relationships. Since margins also expanded, the growth in core deposits allowed us to reduce higher rate non-core funding dependence and improve bottom line earnings.”

Key Highlights

- Total loan growth of \$9.0 million for the first six months of 2019 (annualized 4.9 percent).
- Total core deposit growth of \$47.2 million for the first six months of 2019 (annualized 34.9 percent).
- Normalized earnings growth for the second quarter of 2019 compared to the second quarter of 2018 was 91.0 percent.
- Earnings per share growth year to date 2019 vs. prior year to date 2018 of 33.3 percent, exclusive of prior year one-time gain.
- Loans funding during the quarter of over \$22.1 million.

Solid Balance Sheet Growth

At June 30, 2019, Aquesta’s total assets were \$475.6 million compared to \$459.6 million at December 31, 2018. Total loans were \$378.0 million at June 30, 2019 compared to \$369.0 million at December 31, 2018. During the quarter Aquesta sold \$1.5 million of SBA loans. Strong loan production of almost \$22.1 million of loans funding helped to offset loan payoffs that occurred during the second quarter 2019. Core deposits were \$317.6 million at June 30, 2019 compared to \$270.4 million at December 31, 2018.

Strong Asset Quality

Asset quality remains very strong. Nonperforming assets were at \$1.1 million as of June 30, 2019 compared to \$1.2 million as of December 31, 2018. Aquesta had \$1.1 million in non-accrual loans as of June 30, 2019 compared to \$1.2 million as of December 31, 2018. The Company held no foreclosed real estate at the end of 2nd quarter 2019 or at the end of 4th quarter 2018.

Net Interest Income

Net interest income was \$8.1 million as of June 30, 2019 compared to \$7.0 million as of June 30, 2018. This is an increase of \$1.1 million or 14.8%. The increase in net interest income continues to be directly associated with the Company’s continued loan growth.

Non Interest Income

Non interest income was \$1.4 million for the six months ended June 30, 2019 compared to \$2.8 million for the six months ended June 30, 2018. The decrease was due to higher gains on SBA loans sold during first half of 2018. Gains on SBA loan sales for the first half of 2019 were approximately \$305 thousand compared to \$896 thousand for the first half of 2018. In addition, the decrease in Non Interest Income is due to the sale of Aquesta Insurance subsidiary in June 2018.

Non Interest Expense

Non interest expense was \$6.4 million for the six months ended June 30, 2019 compared to \$7.7 million for the six months ended June 30, 2018. The decrease was primarily due to the sale of Aquesta Insurance subsidiary in June of 2018.

Personnel expense was at \$3.8 million as of June 30, 2019 compared to \$4.2 million as of June 30, 2018.

Occupancy expense increased by \$101 thousand for the six months ended June 30, 2019 compared to the six months ending June 30, 2018. The increase is primarily due to the addition of the Operations Center during the third quarter 2018. Aquesta had \$18 thousand in OREO gains for the six months ended June 30, 2019 compared to no gains or losses for the six months ended June 30, 2018.

Below are the following financial highlights for comparison:

Aquesta Financial Holdings, Inc.

Select Financial Highlights

(Dollars in thousands, except per share data)

	<u>06/30/19</u>	<u>12/31/18</u>
	(unaudited)	(audited)
Period End Balance Sheet Data:		
Loans	\$ 377,983	\$ 369,025
Allowance for loan and lease losses	3,722	3,493
Investment securities	50,751	51,609
Total assets	475,618	459,656
Core deposits	317,601	270,427
CDs and IRAs	56,716	49,776
Shareholders equity	51,298	33,404
Ending shares outstanding*	5,429,888	4,039,485
Book value per share*	9.45	8.27
Tangible book value per share*	9.44	8.27

*assumes conversion of Series A Convertible Perpetual Preferred Stock

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>06/30/19</u>	<u>06/30/18</u>	<u>06/30/19</u>	<u>06/30/18</u>
	(unaudited)	(audited)	(unaudited)	(audited)
Income and Per Share Data:				
Interest income	\$ 5,632	\$ 4,680	\$ 11,077	\$ 9,027
Interest expense	1,474	1,058	3,016	2,006
Net interest income	<u>4,158</u>	<u>3,622</u>	<u>8,061</u>	<u>7,021</u>
Provision for loan losses	<u>35</u>	<u>205</u>	<u>205</u>	<u>424</u>
Net interest income after provision for loan losses	<u>4,123</u>	<u>3,417</u>	<u>7,856</u>	<u>6,597</u>
Non interest income	612	1,357	1,389	2,773
Non interest expense	<u>3,212</u>	<u>3,964</u>	<u>6,374</u>	<u>7,682</u>
Income before income taxes	<u>1,523</u>	<u>810</u>	<u>2,871</u>	<u>1,688</u>
Income tax expense	<u>335</u>	<u>188</u>	<u>616</u>	<u>368</u>
Income from continuing operations	<u>1,188</u>	<u>622</u>	<u>2,255</u>	<u>1,320</u>
Gain on sale of Aquesta Insurance Services, Inc.	-	1,739	-	1,739
Income tax expense	-	<u>330</u>	-	<u>330</u>
Gain on sale	-	<u>1,409</u>	-	<u>1,409</u>
Net income	<u>\$ 1,188</u>	<u>\$ 2,031</u>	<u>\$ 2,255</u>	<u>\$ 2,729</u>

	For the three months ended		For the six months ended	
	06/30/19 (unaudited)	06/30/18 (audited)	06/30/19 (unaudited)	06/30/18 (audited)
Earnings per share - basic*	\$ 0.22	\$ 0.51	\$ 0.44	\$ 0.69
Earnings per share - diluted*	0.21	0.46	0.41	0.63
Weighted average shares - basic*	5,412,195	4,023,422	5,170,857	3,965,397
Weighted average shares - diluted*	5,751,734	4,411,407	5,515,013	4,352,557

* assumes conversion of Series A Convertible Perpetual Preferred Stock

	06/30/19 (unaudited)	12/31/18 (audited)
Select performance ratios:		
Return on average assets	0.96%	0.98%
Return on average equity	10.65%	13.45%
Asset quality data:		
90 days or more and accruing	\$ -	\$ -
Non accrual loans	1,083	1,216
Other real estate loans	-	-
Total non performing assets	<u>1,083</u>	<u>1,216</u>
Troubled debt restructurings	\$ 116	\$ 147
Non performing assets / total assets	0.23%	0.26%
Allowance for loan losses / total loans	0.98%	0.95%

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 Charlotte, Lake Norman and Wilmington areas and loan production offices Greenville, Raleigh, 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.

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.