



AQUESTA
FINANCIAL HOLDINGS, INC.

PRESS RELEASE

FOR IMMEDIATE RELEASE:

Aquesta Financial Holdings, Inc Announces Earnings and Growth for 2016 and the Fourth Quarter

CORNELIUS, NC –January 19, 2017-- Aquesta Financial Holdings, Inc and subsidiaries – including its primary subsidiary Aquesta Bank (“Aquesta”) (OTC Market symbol AQFH) announced today excellent earnings and loan growth for the fourth quarter of 2016 (three month period ending December 31, 2016). For the fourth quarter, Aquesta had unaudited net income of \$529,000 (16 cents per share) compared to fourth quarter of 2015 net income of \$387,000 (13 cents per share). For the twelve months ended December 31, 2016 net income was \$2.2 million (66 cents per share) compared to the twelve months ended December 31, 2015 of \$1.9 million (64 cents per share).

Jim Engel, CEO & President of Aquesta said, “I’m very happy to announce continued excellent earnings combined with excellent growth for the final quarter of an outstanding year. Our almost 30 percent loan growth reflects positively on our people and our strategy. ”

Key Highlights

- Excellent loan growth
- Excellent core deposit growth
- Solid asset quality with low nonperforming loans
- Year over year growth in net income, return on assets and return on equity for the fourth consecutive year
- Payment of fourth annual dividend

Excellent Balance Sheet Growth

At December 2016, Aquesta’s total assets were \$348.7 million compared to \$293.1 million at December 31, 2015. This represents an increase of 19.0%. Total loans were \$250.8 million at December 31, 2016 compared to \$195.6 million at December 31, 2015 or a 28.2% increase. Core deposits were \$205.3 million at December 31 2016 compared to \$147.4 million at December 31, 2015 or an increase of 39.2%.

Strong Asset Quality

Asset quality remains very strong. Nonperforming assets decreased to \$1.7 million as of December 31, 2016 as compared to \$1.8 million at September 30, 2016. Other real estate owned (i.e., foreclosed property) was \$1.5 million at December 31, 2016.

Net Interest Income

Net interest income was \$11.0 million for the twelve months ended December 31, 2016 compared to \$9.8 million for the twelve months ended December 31, 2015. This is an increase of \$1.2 million or 12.3%. The increase in net interest income continues to be directly associated with the Company’s loan growth over the past year.

Non Interest Expense

Non-interest expense was \$12.6 million for the twelve months ended December 31, 2016 compared to \$10.5 million for the twelve months ended December 31, 2015. The increase in expense was due to the additional personnel and occupancy cost associated with the recent addition of two new branches.

Personnel expense was at \$7.8 million as of December 31, 2016 compared to \$6.5 million as of December 31, 2015.

Occupancy expense increased \$186 thousand for the twelve months ended December 31, 2016 compared to the twelve months ended December 31, 2015. This was mainly due to the addition of the Wilmington branch. Aquesta had losses on OREO of \$243 thousand for the twelve months ended December 31, 2016 as compared to \$128 thousand in OREO losses for the twelve months ended December 31, 2015. The losses recognized during 2016 were due to the sale of OREO property.

Below are the following financial highlights for comparison:

Aquesta Financial Holdings, Inc.

Select Financial Highlights

(Dollars in thousands, except per share data)

	<u>12/31/16</u>	<u>12/31/15</u>
	(unaudited)	(audited)
Period End Balance Sheet Data:		
Loans	\$ 250,808	\$ 195,638
Allowance for loan and lease losses	2,650	2,561
Investment securities	64,437	65,275
Goodwill	687	687
Insurance agency intangible	1,752	1,067
Total assets	348,657	293,065
Core deposits	205,302	147,435
CDs and IRAs	64,004	64,458
Shareholders equity	27,302	23,461
Ending shares outstanding	3,280,314	3,048,170
Book value per share	8.32	7.70
Tangible book value per share	7.58	7.12

	<u>For the three months ended</u>		<u>For the twelve months ended</u>	
	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/15</u>
	(unaudited)	(audited)	(unaudited)	(audited)
Income and Per Share Data:				
Interest income	\$ 3,482	\$ 2,939	\$ 13,037	\$ 11,257
Interest expense	545	395	2,024	1,458
Net interest income	<u>2,937</u>	<u>2,544</u>	<u>11,013</u>	<u>9,799</u>
Provision for loan losses	<u>64</u>	<u>85</u>	<u>266</u>	<u>271</u>
Net interest income after provision for loan losses	<u>2,873</u>	<u>2,459</u>	<u>10,747</u>	<u>9,528</u>
Non interest income	1,176	964	5,114	4,066
Non interest expense	<u>3,254</u>	<u>2,913</u>	<u>12,579</u>	<u>10,549</u>
Income before income taxes	<u>795</u>	<u>510</u>	<u>3,282</u>	<u>3,045</u>
Income tax expense	<u>266</u>	<u>123</u>	<u>1,127</u>	<u>1,074</u>
Net income	<u>\$ 529</u>	<u>\$ 387</u>	<u>\$ 2,155</u>	<u>\$ 1,971</u>

Earnings per share - basic	\$	0.16	\$	0.13	\$	0.69	\$	0.64
Earnings per share - diluted		0.16		0.12		0.66		0.63
Weighted average shares - basic		3,231,591		3,049,447		3,110,909		3,067,482
Weighted average shares - diluted		3,406,846		3,115,904		3,286,164		3,122,930
		<u>12/31/16</u>		<u>12/31/15</u>				
		(unaudited)		(audited)				
Select performance ratios:								
Return on average assets		0.67%		0.71%				
Return on average equity		8.49%		8.53%				
Asset quality data:								
90 days or more and accruing	\$	-	\$	-				
Non accrual loans		122		-				
Other real estate loans		<u>1,539</u>		<u>900</u>				
Total non performing assets		<u><u>1,661</u></u>		<u><u>900</u></u>				
Troubled debt restructurings	\$	293	\$	277				
Non performing assets / total assets		0.48%		0.31%				
Allowance for loan losses / total loans		1.06%		1.31%				

Aquesta Financial Holdings, Inc. is the holding company to its wholly owned subsidiaries, Aquesta Bank and Aquesta Insurance Services, Inc. Aquesta Bank is a full service community bank headquartered in Cornelius, North Carolina about 20 miles north of Charlotte with 7 full service locations. Aquesta Insurance Services, Inc. offers property, casualty and health insurance products as an independent agency. Aquesta Financial Holdings Inc. common stock is publicly traded and is quoted on OTC under the symbol "AQFH".

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.