



PRESS RELEASE

FOR IMMEDIATE RELEASE:

Aquesta Financial Holdings, Inc Announces Results of Operations for the Fourth Quarter of 2020

CORNELIUS, NC – January 21, 2021 -- Aquesta Financial Holdings, Inc and subsidiaries (“Aquesta”) (OTC Market symbol AQFH) – including its subsidiary Aquesta Bank announced today net income for the fourth quarter of 2020 (three month period ending December 31, 2020). For the fourth quarter of 2020, Aquesta had unaudited net income of \$1.9 million (34 cents per share) compared to fourth quarter of 2019 net income of \$1.1 million (20 cents per share). For the twelve months ended December 31, 2020 net income was \$5.3 million (96 cents per share) compared to the twelve months ended December 31, 2019 of \$4.4 million (82 cents per share). Thus, earnings grew at 20.9 percent in 2020 compared to 2019.

Jim Engel, CEO and President of Aquesta, said “I am proud to announce excellent earnings and balance sheet growth for the final quarter of 2020 which caps another year of strong performance here at Aquesta. Despite the uncertainty caused by the COVID-19 pandemic, Aquesta has succeeded in providing the highest levels of service and value to our customers, communities and shareholders. As we turn the page on 2020, Aquesta looks to maintain our upward momentum and excellent performance into 2021 and beyond.”

Key Highlights

- Total loan growth of \$139.9 million for the twelve months ended December 31, 2020 or 33.7 percent. 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 2020 as the net increase in non-PPP loans was \$26.5 million, or 6.4 percent, compared to December 31, 2019.
- Total core deposit growth of \$120.8 million for the twelve months ended December 31, 2020 or 32.3 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 twelve months ended December 31, 2020 compared to the twelve months ended December 31, 2019 of \$910 thousand or 20.9 percent.
- During the fourth quarter of 2020, paid the eighth annual consecutive cash dividend to shareholders. Adjusted for stock splits, the cash dividend has increased every year.

Solid Balance Sheet Growth

At December 31, 2020, Aquesta’s total assets were \$680.2 million compared to \$523.0 million at December 31, 2019. Total loans were \$555.0 million at December 31, 2020 compared to \$415.1 million at December 31, 2019. 2020 loan growth was primarily driven by PPP loans, which totaled \$113.4 million as of December 31, 2020. However, organic loan growth was strong in 2020 as the net increase in non-PPP loans was \$26.5 million, or 6.4 percent, compared to December 31, 2019. Core deposits were \$494.3 million at December 31, 2020 compared to \$373.6 million at December 31, 2019.

Asset Quality

Nonperforming assets were at \$6.1 million as of December 31, 2020 compared to \$1.2 million as of December 31, 2019. Aquesta had \$5.7 million in non-accrual loans as of December 31, 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 Other Real Estate Owned (i.e., “OREO” or foreclosed property) of \$382 thousand at the end of the 4th quarter 2020 compared to none at end of the 4th quarter 2019.

Net Interest Income

Net interest income was \$19.8 million for the twelve months ended December 31, 2020 compared to \$16.6 million for the twelve months ended December 31, 2019. This is an increase of \$3.2 million or 19.1%. 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 \$2.1 million of PPP fees into interest income for PPP loans that were held throughout 2020. Aquesta deferred an additional \$2.1 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 \$2.0 million for the twelve months ended December 31, 2020 compared to \$340 thousand for the twelve months ended December 31, 2019. This is an increase of \$1.6 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 0.96% as of December 31, 2020. The ratio of ALLL to total loans, excluding PPP loans, is 1.20% as of December 31, 2020. The ratio of ALLL to total loans, excluding PPP loans and balances guaranteed by the SBA, is 1.38% as of December 31, 2020.

Non Interest Income

Non interest income was \$2.9 million for the twelve months ended December 31, 2020 compared to \$2.8 million for the twelve months ended December 31, 2019.

Non Interest Expense

Non interest expense was \$13.9 million for the twelve months ended December 31, 2020 compared to \$13.7 million for the twelve months ended December 31, 2019.

Personnel expense was at \$7.7 million as of December 31, 2020 compared to \$8.5 million as of December 31, 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 \$152 thousand for the twelve months ended December 31, 2020 compared to the twelve months ending December 31, 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 lease expense in 2020.

Aquesta had gain on the sale of OREO of \$13 thousand for the twelve months ended December 31, 2020 compared to gain on sale of \$18 thousand for the twelve months ended December 31, 2019.

Below are the financial highlights for comparison:

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

	<u>12/31/20</u>	<u>12/31/19</u>
	(unaudited)	(audited)
Period End Balance Sheet Data:		
Loans	\$ 554,950	\$ 415,071
Allowance for loan and lease losses	5,319	3,868
Investment securities	52,559	56,688
Total assets	680,168	523,010
Core deposits	494,346	373,557
CDs and IRAs	63,623	46,413
Shareholders equity	58,542	53,367
Ending shares outstanding*	5,473,205	5,450,585
Book value per share*	10.70	9.79
Tangible book value per share*	10.69	9.79

*assumes conversion of Series A Convertible Perpetual Preferred Stock

	<u>For the three months ended</u>		<u>For the twelve months ended</u>	
	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/20</u>	<u>12/31/19</u>
	(unaudited)	(audited)	(unaudited)	(audited)
Income and Per Share Data:				
Interest income	\$ 6,901	\$ 5,789	\$ 24,308	\$ 22,562
Interest expense	916	1,462	4,529	5,957
Net interest income	<u>5,985</u>	<u>4,327</u>	<u>19,779</u>	<u>16,605</u>
Provision for loan losses	444	(25)	1,952	340
Net interest income after provision for loan losses	<u>5,541</u>	<u>4,352</u>	<u>17,827</u>	<u>16,265</u>
Non interest income	1,079	1,118	2,851	2,847
Non interest expense	<u>4,226</u>	<u>4,172</u>	<u>13,918</u>	<u>13,730</u>
Income before income taxes	<u>2,394</u>	<u>1,298</u>	<u>6,760</u>	<u>5,382</u>
Income tax expense	543	204	1,497	1,029
Net Income	<u><u>1,851</u></u>	<u><u>1,094</u></u>	<u><u>5,263</u></u>	<u><u>4,353</u></u>

	For the three months ended		For the twelve months ended	
	12/31/20 (unaudited)	12/31/19 (audited)	12/31/20 (unaudited)	12/31/19 (audited)
Earnings per share - basic*	\$ 0.34	\$ 0.20	\$ 0.96	\$ 0.82
Earnings per share - diluted*	0.32	0.19	0.91	0.77
Weighted average shares - basic*	5,472,837	5,437,259	5,470,697	5,302,640
Weighted average shares - diluted*	5,769,434	5,763,633	5,772,519	5,630,070

* assumes conversion of Series A Convertible Perpetual Preferred Stock

	12/31/20 (unaudited)	12/31/19 (audited)
Select performance ratios:		
Return on average assets	0.87%	0.89%
Return on average equity	9.41%	10.03%
Asset quality data:		
90 days or more and accruing	\$ 40	\$ -
Non accrual loans	5,655	1,192
Other real estate owned	382	-
Total non performing assets	<u>6,077</u>	<u>1,192</u>
Troubled debt restructurings	\$ 54	\$ 84
Non performing assets / total assets	0.89%	0.23%
Allowance for loan losses / total loans	0.96%	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.

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.