

April 15, 2015

Dear FirstAtlantic Shareholders,

The first quarter of 2015 was an exciting one for FirstAtlantic on several fronts. Our company's stock now trades on the OTCQX Marketplace, we declared our first dividend, and net income per share grew by 55% over the previous year's first quarter. A summary of our first quarter financial statements and related charts are attached for your review.

EARNINGS

Net income for the quarter was \$1,015,000 or \$.17 per share, an increase of \$392,000, or \$.06 per share from the previous year's results during the same time period. Net income growth was positively impacted on a pre-tax basis by a \$465,000 gain on the sale of an acquired loan, a decline in loan loss provision expense of \$209,000, and the elimination of the CenterBank contingent liability expense, which settled in December, 2014. We also benefitted from a reduction in operating expenses of \$109,000 during the first quarter of 2014. These positive impacts were partially offset by a \$567,000 reduction in accretable interest income from acquired loan portfolios that were purchased at discounts to their contractual amounts.

Core earnings for the quarter were flat when compared to the same period in 2014, and down from the fourth quarter. The primary reason for lack of growth in core earnings (defined as pre-tax, pre-provision expense earnings adjusted for non-recurring items) is a decline in yields of the loan and investment portfolios as a result of the long-lasting low interest rate environment. Even with these challenges, net income increased largely due to improvements in asset quality and the resultant reduction in credit costs, as well as other expense management activities that caused operating expenses to decline.

DEPOSITS

The positive trends in deposit growth continued throughout the first quarter. Our most sought after relationship oriented accounts – checking, savings, and money market accounts – grew over \$16 million, an annualized rate of 25%, during the quarter. This growth was partially offset by a decline of approximately \$6 million in the more transactional certificate of deposit accounts. The net growth of almost \$10 million in deposits, coupled with the prepayment of a \$3.6 million Federal Home Loan Bank borrowing late last year, resulted in a reduction in our cost of funds from .54% in the fourth quarter of 2014 to .49% in the first quarter of this year.

LOANS

The loan portfolio declined by approximately \$3.6 million during the quarter, despite our lending team originating \$7 million more in new loan commitments during the first quarter of 2015 compared to the same period last year. The decline in loan balances was impacted by the sale of a purchased credit impaired loan, which resulted in a pre-tax gain of \$465,000, and continuing high levels of payoffs from the sale or refinancing of properties enabled by the low interest rate environment.

ASSET QUALITY

The bank's asset quality measures continued to improve during the first quarter, with the ratio of non-performing assets as a percentage of assets declining to 1.20% from 1.29% in December. Net loan charge-offs were a very low .02% for the quarter, a positively contributing factor to the nominal expense of only \$41,000 for loan loss provisions during the quarter.

SHAREHOLDER VALUE INITIATIVES

During the quarter, we listed FirstAtlantic on the OTCQX Marketplace to enhance the liquidity of our shares. This will prove to be beneficial for new investors seeking an efficient and transparent path to ownership of our shares, as well as existing shareholders who want to see a current market valuation of their shares or seek liquidity themselves. We believe that the listing will also assist in making our company more attractive to banks that we might pursue for acquisition. Our symbol is FFHD, and current financial and other information on the stock can be found at <http://www.otcm Markets.com/stock/FFHD/filings>.

The board of directors declared the first ever annual cash dividend, payable on or about April 28th to shareholders of record as of April 6th. The amount of the dividend is \$.10 per share and represents approximately 25% of last year's net income. The dividend was declared with the intent of sharing in the success of the company with our current shareholders while also keeping a sufficiently strong capital base to support the acquisition component of our strategic plan. We also believe that FirstAtlantic's ability to pay a cash dividend will distinguish us from other community banks, further enhancing our acquisition strategy by making us more attractive as a merger partner.

During the first quarter of 2015, FirstAtlantic's book value grew to \$9.37 per share, while the tangible book value increased to \$8.86 per share, an annualized growth rate of 10% and 11%, respectively. The increase is largely the result of the \$.17 per share net income recorded for the quarter and improvements to the market value of the investment portfolio.

We are pleased to share the first quarter financial results and other information that we believe will positively impact the value of your company. Your continued support of FirstAtlantic is very much appreciated.

Sincerely,



Mitchell W. Hunt, Jr.
President and Chief Executive Officer

FirstAtlantic Financial Holdings, Inc.
Consolidated Balance Sheet (in thousands, except share data)
(unaudited)

	March 31, 2015	December 31, 2014
Assets:		
Cash and due from banks	\$ 2,707	\$ 2,480
Interest bearing deposits in banks	24,964	8,823
Federal funds sold	253	370
Total cash and cash equivalents:	27,924	11,673
Investment securities available for sale, at fair value	61,539	63,476
Investment securities held to maturity (fair value of \$948 and \$1,082)	940	1,076
Loans, net of unearned income	282,536	286,123
Less allowance for loan losses	1,784	1,789
Loans, net	280,752	284,334
Premises and equipment, net	14,357	14,442
Investment in Federal Home Loan Bank stock	345	646
Accrued interest receivable	1,019	1,153
Goodwill and intangible assets, net	3,067	3,150
Other real estate owned	1,318	1,612
Deferred tax assets	2,216	2,388
Other assets	729	797
Total assets	\$ 394,206	\$ 384,747
Liabilities and shareholders' equity		
Deposits:		
Non interest-bearing demand	\$ 86,411	\$ 81,408
Interest-bearing demand	51,659	50,360
Savings and money market	133,446	123,571
Time deposits	64,343	70,687
Total deposits	335,859	326,026
Advances from Federal Home Loan Bank	-	3,000
Accrued interest payable	147	180
Income taxes payable	585	-
Other liabilities	1,444	715
Total liabilities	338,035	329,921
Shareholder's equity		
Preferred stock, \$.01 par value; 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$.01 par value; 20,000,000 shares authorized; 5,994,955 shares issued and outstanding at March 31, 2015	60	60
5,994,955 shares issued and outstanding at December 31, 2014	52,661	52,668
Additional paid in capital	3,788	2,773
Retained earnings	(338)	(675)
Accumulated other comprehensive income, net of tax	56,171	54,826
Total shareholder's equity	56,171	54,826
Total liabilities and shareholders' equity	\$ 394,206	\$ 384,747

FirstAtlantic Financial Holdings Inc
Consolidated Statement of Operations (in thousands except share data)
(unaudited)

	Three months ended	
	March 31,	
	2015	2014
Interest income:		
Loans, including fees	\$ 3,918	\$ 4,497
Investment securities	285	377
Federal funds sold	8	4
Other	6	11
Total interest income	4,217	4,889
Interest expense:		
Deposits	394	425
Federal Home Loan Bank advances	4	38
Total interest expense	398	463
Net interest income	3,819	4,426
Provision for loan losses	41	250
Net interest income after provision for loan losses	3,778	4,176
Other operating income:		
Service fees on deposit accounts	147	132
Gain on sale of loans	465	-
Gain on sale of securities available for sale	29	-
Gain or (loss) on sale of other real estate	1	9
Other operating income	159	165
Total non-interest income	801	306
Other operating expense		
Salaries and employee benefits	1,798	1,782
Occupancy and equipment	347	358
Ammortization of intangible assets	82	82
Data processing and communications	222	223
Expenses and valuation adjustments on other real estate	17	43
FDIC insurance	64	83
Legal, accounting and audit fees	113	182
Expense for contingent liability	-	400
Other operating	304	303
Total non-interest expense	2,947	3,456
Net income before taxes	1,632	1,026
Income tax expense	(617)	(403)
Net income	\$ 1,015	\$ 623
Basic and diluted earnings per common share	\$ 0.17	\$ 0.11
Basic and diluted weighted average common shares outstanding	5,994,955	5,701,228

FirstAtlantic Financial Holdings, Inc. and Subsidiary (Consolidated)
Financial Highlights (unaudited)
(dollars in thousands except per share data)

For the Three Months Ended March 31,	2015	2014
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Per common share

Basic and diluted earnings per common share	\$ 0.17	0.11
Book Value	9.37	9.15
Tangible book value	8.86	8.62

Basic and diluted weighted average common shares outstanding *	5,994,455	5,701,228
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* All outstanding options and warrants have an exercise price of \$10.00

Key performance ratios

Return on average assets	1.06%	0.65%
Return on average shareholders' equity	7.40%	5.11%
Efficiency ratio	71.45%	73.57%
Earning asset yield	4.66%	5.40%
Cost of interest bearing liabilities	0.65%	0.69%
Net interest spread	4.01%	4.72%
Cost of funds	0.49%	0.56%
Net interest margin	4.22%	4.89%
Net charge-offs	\$ 46	2,033
Net charge-offs / year to date average loans	0.02%	0.75%

Consolidated Balance Sheet Data	March 31, 2015	December 31, 2014
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Capital

Tier 1 Leverage ratio	13.83%	13.69%
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Asset quality data

Nonaccrual loans	\$ 3,388	\$ 3,332
90 day past due and accruing loans	\$ 5	\$ 6
Non-performing loans	\$ 3,393	\$ 3,338
Other real estate owned	\$ 1,318	\$ 1,612
Non-performing assets (excluding TDR's)	\$ 4,711	\$ 4,950
Non-performing assets / total assets	1.20%	1.29%
Non-performing assets / total loans and OREO	1.66%	1.72%
Allowance for loan losses / nonperforming loans	52.58%	53.59%

Key Balance Sheet Ratios

Loan to deposit ratio	84.12%	87.76%
Annual growth in total loans *	-5.01%	4.42%
Annual growth in legacy (non acquired) loans *	-1.38%	13.46%
Non-interest bearing deposits / total deposits	25.73%	24.97%
Non-maturity (core) deposits / total deposits	80.84%	78.32%
Annual growth in non-interest bearing deposits *	24.68%	31.95%
Annual growth in non-maturity (core) deposits *	25.34%	9.25%
Annual growth in total deposits *	12.06%	1.55%

* 2015 growth rates are quarter to date annualized

For the Quarter Ended	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Core earnings (pre-tax, pre-provision)					
Net income before taxes	\$ 1,026	1,104	190	1,561	1,632
Add: Provision for loan loss	\$ 250	250	985	283	41
Amortization expense on intangible assets	\$ 82	82	82	82	82
Expense for CenterBank acquisition settlement	\$ 400	400	150	662	-
Prepay penalties on FHLB advances	\$ -	-	-	256	-
Other non-recurring expenses	\$ 31	50	25	-	17
Impairment of ORE	\$ -	86	183	176	-
Less: Gain on sale of securities available for sale	\$ -	-	-	(41)	(29)
Gain on sale of portfolio loans	\$ -	-	-	(1,154)	(465)
Accelerated accretion of acquired loans	\$ (504)	(513)	(274)	(407)	-
Net (Gain) Loss on ORE	\$ (9)	(18)	14	134	(1)
Core Earnings (pre-tax,pre-provision)	\$ 1,276	1,441	1,355	1,552	1,277

