FIRSTATLANTIC
Financial Holdings, Inc.

February 1, 2016

Dear FirstAtlantic Shareholders,

I am pleased to share with you a summary of FirstAtlantic's performance in 2015. It was a successful year in which earnings per share increased by 42% as we benefitted from the elimination of the former contingent liability expense associated with the 2011 Center Bank acquisition. It was also a challenging year as we endured another year of low interest rates and compressing interest margins, while continuing to grow our core customer base, significantly improving asset quality, and reducing expenses.

Attached to this letter you will find a summary of our financial results.

KEY MILESTONES IN 2015

Our team achieved several significant accomplishments in 2015. During the first quarter of the year, the marketability and visibility of FirstAtlantic was improved by the listing of our stock on the OTCMarkets under the symbol FFHD. Now, investors can readily buy or sell shares in an efficient and transparent market place. The first few months of trading activity on the OTC Markets saw trades of our stock in the $8 per share range, with the trading activity and price generally increasing over the course of the year, ending the year with a closing price of $10.07 per share. In addition to the benefits derived from the improved liquidity of our company's stock, information about FirstAtlantic is readily available for current and potential shareholders on the OTC Markets' portal at http://www.otcmarkets.com/stock/FFHD/quote.

During the second quarter of 2015, we paid our first cash dividend, declared as an annual dividend of $.10 per share. The company's strong capital position, solid core earnings, and a desire by the board of directors to share our success with our stockholders led to the board's decision to declare this dividend.

Towards the middle of the year, Mobile Banking was launched to improve our customers' experiences with FirstAtlantic, offering them the ability to monitor their account activity, make deposits, and pay bills from the convenience of their smart phones. This offering has been well received, with over 700 customers enrolled in Mobile Banking.

We mourned the death of our longstanding chairman, Rodney Bennett in September. Rodney provided steady leadership to our company through the Great Recession, and he insured that there was ample depth among our official board and the bank's advisory boards to fulfill their ongoing and future responsibilities. Tom Coley, formerly Vice Chairman, succeeded Rodney as Chairman of the Board of Directors as projected in our succession plan. Bill Buckingham was appointed to our board of directors this past year after having served on our advisory board for the previous seven years.

The management team was strengthened this year with Paul Grube joining FirstAtlantic Bank as Chief Banking Officer. Paul brings remarkable depth of experience and a successful track record of leadership that are well aligned to our objective of being a great bank for businesses and professionals.

EARNINGS

Net Income for 2015 totaled $3.6 million or $.60 per share, an increase of 42% per share from the previous year. The most significant contributors to the comparable period increased earnings related to non-core income and expense items which included the elimination of contingent liability expense associated with the Center Bank acquisition, a reduction of loan loss provision expense as a result of improved asset quality, and reductions in impairments and losses on sale of other real estate owned. A core earnings table highlighting the specific non-core items is attached to provide an easier view of year over year comparable earnings.

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In the Core Earnings Table, you will notice that core earnings actually declined by $160,000 in 2015, despite the bank achieving asset growth of almost 10%. The primary reason for lack of core earnings growth is the declining yield of the loan portfolio. The declining loan yield is a consequence of the long lasting low interest rate environment, resulting in new loans being booked at lower rates than maturing loans. The higher rate maturing loans will have mostly matured or re-priced by the end of 2016, which should result in less pressure on the interest margin and allow us to gain more benefit from our asset growth going forward. We managed through the rate environment in 2015 by close management of our operating expenses, actually reducing core operating expenses by $174,000.

LOANS

The total loan portfolio grew by $14 million to $301 million over the course of the year, an increase of 5%. The portfolio of FirstAtlantic originated loans (non-purchased loans) increased by 15% or $24 million in 2015, the result of increased loan production by our team of bankers. New loan originations increased by 12% over the previous year to $77 million.

ASSET QUALITY

The asset quality measures for FirstAtlantic Bank are the best they have been in over four years, due to both an improving economy and the outstanding work of our special assets team in achieving satisfactory resolutions to problem assets. At December 31, 2015, non-performing assets had been reduced to .63% of total assets, a significant improvement from 1.29% of assets a year earlier. The improvement in asset quality contributed positively to the increased coverage of our loan loss reserve as a percentage of non-performing loans to 102% from 54% the previous year.

DEPOSITS

FirstAtlantic experienced very good growth in core deposits in 2015, with the products we are primarily targeting for growth - checking, savings, and money market accounts - increasing by $41 million, a growth rate of over 16% from the previous year. Growth in total deposits was partially offset by an expected reduction in higher cost time deposits, generally single service non-relationship customers, of $14 million. The effect of the growth in core deposits coupled with a decline in higher cost time deposits was a welcomed reduction in our cost of funds from .55% to .44%.

EQUITY

Total shareholders' equity increased by $2.9 million in 2015 to $57.7 million, or $9.63 per share. Tangible common equity increased by $3.2 million to $54.9 million, or $9.16 per share. The very strong ratio of tangible equity to assets, approximately 13%, provides FirstAtlantic with financial capacity to provide continued support of both our organic growth and acquisition strategies.

Over the next few weeks, you will receive our Annual Report and Proxy Statement in which the date of our Annual Shareholders Meeting will be announced. Also, during the month of February, we expect to post the company's annual audited financial statements on the OTC Markets page for FirstAtlantic, http://www.otcmarkets.com/stock/FFHD/filings. Please be on the lookout for these items.

As always, we appreciate your continued support of FirstAtlantic.

Sincerely,



Mitchell W. Hunt, Jr.

President and Chief Executive Officer

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

December 31,	2015	2014
Assets:		
Cash and due from banks	$ 12,215	$ 11,053
Federal funds sold	312	370
Total cash and cash equivalents:	12,527	11,423
Interest bearing deposits in banks	7,198	250
Investment securities available for sale, at fair value	73,162	63,476
Investment securities held to maturity (fair value of $7,486 and $1,082)	7,492	1,076
Loans, net of unearned income	300,514	286,123
Less allowance for loan losses	2,012	1,789
Loans, net	298,502	284,334
Premises and equipment, net	14,177	14,442
Investment in Federal Home Loan Bank stock	770	646
Accrued interest receivable	1,130	1,153
Goodwill and intangible assets, net	2,820	3,150
Other real estate owned	658	1,612
Deferred tax assets	2,134	2,388
Other assets	1,233	797
Total assets	**$ 421,803**	**$ 384,747**
Liabilities and shareholders' equity		
Deposits:		
Non interest-bearing demand	$ 89,432	$ 81,408
Interest-bearing demand	54,448	50,360
Savings and money market	152,859	123,571
Time deposits	56,766	70,687
Total deposits	353,505	326,026
Advances from Federal Home Loan Bank	10,000	3,000
Accrued interest payable	95	180
Other liabilities	478	715
Total liabilities	**364,078**	**329,921**
Shareholder's equity		
Preferred stock, $.01 par value; 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, $.01 par value; 20,000,000 shares authorized; 5,994,955 shares issued and outstanding	60	60
Additional paid in capital	52,678	52,668
Retained earnings	5,782	2,773
Accumulated other comprehensive income, net of tax	(795)	(675)
Total shareholder's equity	57,725	54,826
Total liabilities and shareholders' equity	**$ 421,803**	**$ 384,747**

FirstAtlantic Financial Holdings, Inc.
Consolidated Statement of Income (in thousands except share data)
(unaudited)

	Years ended December 31,		Three months ended December 31,	
	2015	**2014**	**2015**	**2014**
Interest income:				
Loans, including fees	$ 16,223	$ 17,863	$ 4,054	$ 4,584
Investment securities - taxable	1,226	1,447	351	336
Investment securities - tax exempt	26	-	15	-
Other interest and investment income	123	65	46	17
Total interest income	17,598	19,375	4,466	4,937
Interest expense:				
Deposits	1,537	1,690	356	414
Federal Home Loan Bank advances	7	141	2	33
Total interest expense	1,544	1,831	358	447
Net interest income	16,054	17,544	4,108	4,490
Provision for loan losses	501	1,768	-	283
Net interest income after provision for loan losses	15,553	15,776	4,108	4,207
Other operating income:				
Service fees on deposit accounts	656	586	182	160
Gain on sale of loans	779	1,316	-	1,224
Gain on sale of securities available for sale	29	41	-	41
Gain on sale of other real estate	56	(119)	9	(134)
Other operating income	657	663	157	158
Total non-interest income	2,177	2,487	348	1,449
Other operating expense				
Salaries and employee benefits	6,972	6,960	1,735	1,682
Occupancy and equipment	1,431	1,516	344	447
Ammortization of intangible assets	329	329	82	82
Data processing and communications	988	974	255	253
Expenses and valuation adjustments on other real estate	124	701	14	236
FDIC insurance	250	307	58	71
Legal, accounting and audit fees	530	500	120	67
Expense for contingent liability	-	1,612	-	662
Prepay Penalty of Federal Home Loan Bank Advance	-	256	-	256
Other operating	1,288	1,227	375	339
Total non-interest expense	11,914	14,382	2,985	4,095
Net income before taxes	5,816	3,881	1,471	1,561
Income tax expense	(2,208)	(1,475)	(558)	(594)
Net income	$ 3,608	$ 2,406	$ 913	$ 967
Basic earnings per common share	$ 0.60	$ 0.42	$ 0.15	$ 0.17
Basic average common shares outstanding	5,994,955	5,713,278	5,994,955	5,713,278
Diluted earnings per common share	$ 0.60	$ 0.42	$ 0.15	$ 0.17
Diluted weighted average common shares outstanding	5,995,166	5,713,278	5,995,799	5,701,228

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

For the Years Ended December 31,		2015	2014	2013
Per common share				
Basic earnings per common share	$	0.60	0.42	0.68
Diluted earnings per common share	$	0.60	0.42	0.68
Cash dividends paid to shareholders		0.10	-	-
Basic weighted average common shares outstanding		5,994,955	5,713,278	5,701,228
Diluted weighted average common shares outstanding		5,995,166	5,713,278	5,701,228
Key performance ratios				
Return on average assets		0.88%	0.69%	1.02%
Return on average shareholders' equity		6.37%	5.25%	8.12%
Efficiency ratio		68.54%	70.34%	76.54%
Earning asset yield		4.57%	5.36%	4.89%
Cost of interest bearing liabilities		0.59%	0.70%	0.81%
Net interest spread		3.98%	4.65%	4.08%
Cost of funds		0.44%	0.55%	0.66%
Net interest margin		4.17%	4.85%	4.28%
Net charge-offs	$	279	2,033	948
Net charge-offs / year to date average loans		0.10%	0.75%	0.37%

Consolidated Balance Sheet Data		2015	2014	2013
Per common share				
Book Value		9.63	9.15	8.52
Tangible book value		9.16	8.62	7.91
Capital				
Total capital (to risk weighted assets)		18.79%	18.23%	17.88%
Common equity tier 1 capital (to risk weighted assets)		18.15%	17.63%	17.16%
Tier 1 capital (to risk weighted assets)		18.15%	17.63%	17.16%
Tier 1 capital (to average assets)		13.61%	13.72%	12.69%
Asset quality data				
Nonaccrual loans	$	1,982	$ 3,332	$ 11,361
90 day past due and accruing loans	$	-	$ 6	$ 112
Non-performing loans	$	1,982	$ 3,338	$ 11,473
Other real estate owned	$	658	$ 1,612	$ 3,483
Non-performing assets (excluding TDR's)	$	2,640	$ 4,950	$ 14,956
Non-performing assets / total assets		0.63%	1.29%	3.85%
Non-performing assets / total loans and OREO		0.88%	1.72%	5.39%
Allowance for loan losses / nonperforming loans		101.51%	53.59%	17.90%
Key Balance Sheet Ratios				
Loan to deposit ratio		85.01%	87.76%	85.35%
Annual growth in total loans		5.00%	4.42%	25.93%
Annual growth in legacy (non acquired) loans		14.65%	13.46%	15.12%
Non-interest bearing deposits / total deposits		25.30%	24.97%	19.22%
Non-maturity (core) deposits / total deposits		83.94%	78.32%	72.80%
Annual growth in non-interest bearing deposits		9.85%	31.95%	19.59%
Annual growth in non-maturity (core) deposits		16.21%	9.25%	24.07%
Annual growth in total deposits		8.43%	1.55%	17.37%

FirstAtlantic Financial Holdings, Inc.
Core Earnings (Pre-tax, Pre-provision)
(unaudited)

	Years ended December 31,		Three months ended December 31,	
(Dollars in thousands except per share data)	2015	2014	2015	2014
Interest income as stated	$ 17,598	$ 19,375	$ 4,466	$ 4,937
Less: Accelerated accretion of acquired loans	(539)	(1,698)	(121)	(407)
Core interest income	**17,059**	**17,677**	**4,345**	**4,530**
Interest expense as stated	1,544	1,831	358	447
Net interest income as stated	16,054	17,544	4,108	4,490
Core net interest income	**15,515**	**15,846**	**3,987**	**4,083**
Provision for loan losses	501	1,768	-	283
NII after provision for loan losses as stated	15,553	15,776	4,108	4,207
Non-interest income as stated	2,177	2,487	348	1,449
Gain on sales of securities available for sale	(29)	(41)	-	(41)
Gain on sales of portfolio loans	(779)	(1,154)	-	(1,154)
Net (gain) or loss on sale of OREO & valuations	(57)	121	(9)	134
Core Non-Interest Income	**1,312**	**1,413**	**339**	**388**
Non interest expense as stated	11,914	14,382	2,985	4,095
Less: Amortization expense on intangible assets	(329)	(329)	(83)	(83)
Expense for CenterBank acquisition settlement	-	(1,612)	-	(662)
Expense of disposition of premises and equipment	(2)	-	(2)	-
Prepay penalties on FHLB advances	-	(256)	-	(256)
Impairment of Other Real Estate	(72)	(445)	(22)	(176)
Other non-recurring expenses	(51)	(106)	-	-
Core Noninterest Expense	**11,460**	**11,634**	**2,878**	**2,918**
Net Income before taxes as stated	**5,816**	**3,881**	**1,471**	**1,561**
Net non-core interest items from above	(539)	(1,698)	(121)	(407)
Provision for loan losses from above	501	1,768	-	283
Non-core non-interest income from above	(865)	(1,074)	(9)	(1,061)
Non-core non-interest expense from above	454	2,748	107	1,177
Core Pre-tax , Pre-provision Net Income	**5,367**	**5,625**	**1,448**	**1,553**
Income tax expense as stated	2,208	1,475	558	594
Core Income tax expense	2,035	2,133	549	589
Net Income as stated	3,608	2,406	913	967
Core Pre-provision Net Income	**$ 3,332**	**$ 3,492**	**$ 899**	**$ 964**

Key Core pre-provision Income Performance Ratios				
Basic earnings per share	$ 0.56	$ 0.61	$ 0.15	$ 0.17
Diluted earnings per share	$ 0.56	$ 0.61	$ 0.15	$ 0.17
Return on average assets	0.82%	0.91%	0.85%	1.00%
Return on average equity	5.88%	6.89%	6.41%	7.38%
Yield on earning assets	4.43%	4.90%	4.33%	5.00%
Cost of interest bearing liabilities	0.59%	0.70%	0.53%	0.71%
Cost of funds	0.44%	0.55%	0.39%	0.54%
Net interest margin	4.03%	4.11%	3.76%	4.22%
Non interest income / average assets	0.32%	0.39%	0.34%	0.43%
Non interest expense / average assets	2.81%	3.02%	2.71%	3.01%
Efficiency ratio	68.10%	67.41%	66.53%	65.27%