

FIRSTATLANTIC

Financial Holdings, Inc.

Notice of Annual Meeting, Proxy Statement and 2015 Financial Statements

Annual Meeting of Shareholders
To be held
April 20, 2016

FIRSTATLANTIC
Financial Holdings, Inc.

March 4, 2016

Dear FirstAtlantic Shareholders:

You are cordially invited to attend our annual shareholders meeting to be held at the Hilton Garden Inn located at 1201 Kings Avenue in Jacksonville at 11:00 on April 20, 2016. You will find your proxy statement attached along with our financial audit for the 2015 year. We hope you can attend the meeting in person, but if you cannot, please make sure you send in your proxy card.

During the meeting, in addition to the election of directors, we plan to review the performance of our company as well as discuss our plans for the future.

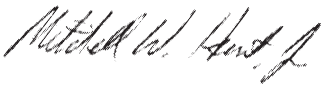
Your continued support is greatly valued, and for those of you who are banking with us, we thank you for your business.

We hope to see you at the annual meeting on April 20th.

Sincerely,



Thomas H. Coley
Chairman of the Board of Directors



Mitchell W. Hunt, Jr.
President and CEO

FIRSTATLANTIC FINANCIAL HOLDINGS, INC.
1325 Hendricks Avenue
Jacksonville, Florida 32207
(904) 446-2508

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held on April 20, 2016

To the Shareholders of FirstAtlantic Financial Holdings, Inc.:

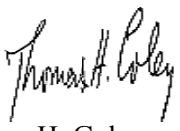
The 2016 Annual Meeting of Shareholders of FirstAtlantic Financial Holdings, Inc. will be held at the Hilton Garden Inn, located at 1201 Kings Avenue, Jacksonville, Florida, on Wednesday, April 20, 2016, at 11:00 a.m., local time, for the following purposes:

1. To elect 8 directors, each to serve for a one-year term expiring at the Annual Meeting of the Shareholders to be held in 2017; and

2. To consider such other business as may properly come before the Annual Meeting or any postponements or adjournments thereof.

The board of directors has set February 26, 2016, as the record date for the Annual Meeting. Only shareholders of record at the close of business on the record date will be entitled to notice of and to vote at the Annual Meeting.

By Order of the Board of Directors



Thomas H. Coley
Chairman of the Board of Directors



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

Jacksonville, Florida
March 4, 2016

YOUR PROXY IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE VOTE BY COMPLETING, SIGNING AND MAILING THE ENCLOSED PROXY CARD TO FIRSTATLANTIC FINANCIAL HOLDINGS, INC. IN THE ACCOMPANYING ENVELOPE. YOU ALSO HAVE THE OPTION TO VOTE BY TELEPHONE OR INTERNET; PLEASE SEE PROXY CARD FOR INSTRUCTIONS. YOUR PROXY MAY BE REVOKED, IF YOU CHOOSE, AT ANY TIME PRIOR TO THE VOTE BEING TAKEN AT THE ANNUAL MEETING.

FIRSTATLANTIC FINANCIAL HOLDINGS, INC.
1325 Hendricks Avenue
Jacksonville, Florida 32207
(904) 446-2508

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
To be held on April 20, 2016

GENERAL INFORMATION

This proxy statement is being furnished in connection with the solicitation by the board of directors of FirstAtlantic Financial Holdings, Inc. (the "Company"), a Florida corporation and the bank holding company for FirstAtlantic Bank (the "Bank"), of proxies from the shareholders of the Company for use at the 2016 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Wednesday, April 20, 2016, at 11:00 a.m., local time, and any adjournment or postponement thereof, for the purposes set forth in the accompanying notice of the Annual Meeting. The Annual Meeting will be held at the Hilton Garden Inn, located at 1201 Kings Avenue, Jacksonville, Florida.

The enclosed proxy is for use at the Annual Meeting if a shareholder is unable to attend the Annual Meeting in person or wishes to have his or her shares voted by proxy, even if he or she attends the Annual Meeting. You may also vote by telephone or internet as described on the enclosed proxy card. The proxy may be revoked by the person giving it at any time before its exercise, either by notice to the Secretary of the Company, by submitting a proxy having a later date, or by such person appearing at the Annual Meeting and electing to vote in person. Attendance at the Annual Meeting, in and of itself, without further action, will not constitute a revocation of a proxy. All shares represented by valid proxies received pursuant to this solicitation and not revoked before their exercise will be voted in the manner specified therein.

If a proxy is signed and no specification is made, the shares represented by the proxy will be voted FOR the election of the director nominees recommended by the board of directors, and in accordance with the best judgment of the persons exercising the proxy with respect to any other matters properly presented for action at the Annual Meeting.

This proxy statement and the enclosed proxy are being mailed to the Company's shareholders on or about March 4, 2016.

The board of directors of the Company has set February 26, 2016, as the record date for the Annual Meeting. Only shareholders of record at the close of business on the record date will be entitled to notice of and to vote at the Annual Meeting. As of the record date, there were 5,994,955 shares of common stock of the Company issued and outstanding.

The directors and officers of the Company and their affiliates beneficially own and may vote 364,874, or 6.08%, of the outstanding shares of the Company's common stock entitled to vote on the matters presented at the Annual Meeting. Each director and officer has informed the Company that he or she intends to vote FOR the election of the director nominees recommended by the board of directors.

A quorum for the transaction of business at the Annual Meeting consists of the holders of a majority of the outstanding shares of common stock of the Company entitled to vote at the Annual Meeting present in person or represented by proxy. Abstentions will be treated as present for purposes of determining a quorum. Shares held by a broker as nominee (i.e., in "street name") that are represented by

proxies at the Annual Meeting, but that the broker fails to vote on one or more matters as a result of incomplete instructions from a beneficial owner of the shares ("broker non-votes"), will also be treated as present for purposes of determining quorum. Each share of common stock of the Company is entitled to one vote on each matter to come before the Annual Meeting.

In addition to this solicitation by mail, the directors, officers and employees of the Company and the Bank, without additional compensation, may solicit proxies in favor of the proposals if deemed necessary, by personal contact, letter, telephone or other means of communication. Brokers, nominees and other custodians and fiduciaries will be requested to forward proxy solicitation material to the beneficial owners of the shares of common stock of the Company where appropriate, and the Company will reimburse them for their reasonable expenses incurred in connection with such transmittals. The costs of solicitation of proxies for the Annual Meeting will be borne by the Company.

PROPOSAL ONE:
ELECTION OF DIRECTORS

The board of directors has nominated eight persons for re-election as directors at the Annual Meeting to hold office until the 2017 Annual Meeting of Shareholders. Each person nominated shall hold office for a one-year term and until his successor is duly elected and qualified, or until his earlier death, resignation, incapacity to serve, or removal. If for any reason any nominee should become unable or unwilling to accept nomination or election, persons voting the proxies will vote for the election of another nominee designated by the board of directors. Management has no reason to believe that any nominee will not serve if elected.

Each of the members of the Company's board of directors also serves as a director of the Bank and it is expected that each of the nominees named below, if re-elected, will also be re-elected to serve as a director of the Bank for a one-year term.

Vote Required

With regard to the election of directors, votes may be cast for, or votes may be withheld from, each nominee. Approval of the nominees for director requires the affirmative vote of a plurality of the shares of the Company's common stock present in person or by proxy at the Annual Meeting. As a result, the failure of a shareholder to submit a proxy or attend the Annual Meeting, including broker non-votes, will have no effect on the outcome of this proposal.

Nominations for Election and Information Regarding Directors

Set forth below is information about each nominee for re-election as a director for a one-year term expiring at the 2017 Annual Meeting of Shareholders.

The board of directors recommends a vote "FOR" the proposal to elect as directors the nominees named below.

WALTER T. BONEY, JR.
Age 53

In 1990, Mr. Boney founded a real estate appraisal company, Boney Appraisal Services, Inc. Mr. Boney is a certified general real estate appraiser and a licensed real estate broker in the state of Florida. He is also president of A-Bonus Realty, a licensed real estate company. Mr. Boney has served as a director of the Company since 2006 and a director of the Bank since 2007. Additionally, Mr. Boney

serves as Chairman of the Loan Committee, and is a member of the Audit Committee as well as the Nominating and Corporate Governance Committee.

E. ZIMMERMANN BOULOS
AGE 60

Mr. Boulos is owner and President of Office Environments and Services, North Florida's premier provider of business furniture and adaptable workspaces, with 28 employees and annual revenue of $15 million. He has served on the FirstAtlantic Bank's Jacksonville Advisory Board since 2008. Mr. Boulos received his Bachelors of Science degree in Marketing from Jacksonville University, where he captained the school's varsity soccer team. Mr. Boulos is a former international soccer referee who has officiated games in the preliminary rounds of the 1994 and 1998 Fédération Internationale de Fooball Association (FIFA) World Cup and in the preliminary round of the 1996 Olympics.

His involvement in the community included serving as Chairman of the Jacksonville Economic Development Commission, as well as a board member of the Airport Art Commission, Greenscape, and Jacksonville Arboretum & Gardens. Mr. Boulos is a national board member for the Commission on Aging with Dignity and American Forests, the nation's oldest conservation organization.

In 1988 Mr. Boulos founded the Flowering Tree Sale for Greenscape, a local tree planting organization, which has added more than two hundred thousand trees to the area landscape from their annual sale. His involvement in the San Marco Preservation Society included raising $2 million in public and private funds to help with the historic San Marco Square renovation and placement of seven pieces of public art throughout San Marco. Mr. Boulos has served as a director of the Company and the Bank since 2013. He also serves as Chairman of the Asset and Liability Committee and is a member of the Audit Committee as well as the Nominating and Corporate Governance Committee.

WILLIAM T. BUCKINGHAM
AGE 55

Mr. Buckingham has spent the last 23 years in various roles with Mike Davidson Ford. During his 13-year tenure as Executive Vice President, Mike Davidson Ford attained top market share in northeast Florida and ranked among the top 5 percent nationally for sales and profits among Ford dealerships. Under his leadership, Mike Davidson Ford achieved Presidents Award Status, Ford Motor Company's highest recognition for sales and customer service. He directly supervised the $6.5 million facility renovation in 2012-13 and successfully consummated the sale of his family business to Asbury Automotive Group in 2015.

Mr. Buckingham served on FirstAtlantic Bank's Jacksonville Advisory Board since 2008 and was added to its Board of Directors in August 2015. He serves as Chairman of the Corporate Governance Committee and is a member of the Asset and Liability Committee.

THOMAS H. COLEY
Age 73

Mr. Coley serves as Chairman of the Board of the Company and the Bank. He has served as a director of the Company and the Bank since 2007. He is Chairman of the Executive Committee and is a member of the Compensation Committee as well as the Loan Committee. He is the retired Vice Chairman and member of the board of SouthTrust Corporation. In that capacity he was responsible for

finance, risk management, legal, asset and liability management and investor relations. Previous to his holding company duties, Mr. Coley was responsible for SouthTrust Bank's general banking operations in the company's nine state market.

BRIAN R. FOSTER
Age 67

Mr. Foster is the founder of FCB Financial Corp ("FCB") and served as its President and CEO, and President and CEO of FCB's wholly owned banking subsidiary, First Chatham Bank in Savannah until his retirement in July, 2014. Prior to his involvement with FCB beginning in 2001, he worked for Bank of America in Charlotte, North Carolina in 2000 as a national director of marketing and strategy for business banking; responsible for integrating small business nationally after the merger with BankAmerica, California. He has spent his entire career in banking where he worked over 29 years for C&S National Bank in Georgia, Nations Bank, and Bank of America. Mr. Foster is the recipient of the City Builder Award in Savannah, Georgia and is devoted to his community. His involvement, past and present, includes the Savannah Area Chamber of Commerce, Mayor's Public Safety Task Force, Georgia Economic Development Department, United Way of Coastal Empire, Educational Properties Foundation, Inc., Savannah Technical College and the Georgia Bankers Association board of directors. Mr. Foster was elected to the Savannah City Council in December 2015, where he will be serving a four year term. Mr. Foster has served as director of the Company and the Bank since January 2008. He also serves as Chairman of the Audit Committee and serves as a member on the Executive Committee as well as the Compensation Committee.

MITCHELL W. HUNT, JR.
Age 57

Mr. Hunt serves as President and Chief Executive Officer of the Company and the Bank. Mr. Hunt has more than 34 years of banking experience and served as Regional President for the South Region for Wachovia Bank from October 2005 until April 2007 where he was responsible for banking operations of 91 financial centers. Mr. Hunt also served as Regional President for the Central Virginia Region for Wachovia Bank from October 2004 until October 2005. Mr. Hunt joined Wachovia following its merger with SouthTrust Bank, where he had been employed since 1987. At SouthTrust, Mr. Hunt served as Market President from November 1987 until January 2003. While in the position of Market President in Columbus, Georgia, Mr. Hunt led the management team that successfully grew SouthTrust's market share to second in the market in the nine year period following its startup in that market. Mr. Hunt also served as Urban Banking CEO from January 2003 until October 2004. Prior to working for SouthTrust, Mr. Hunt served as branch administrator, loan review officer, commercial lender, correspondent banker and assistant branch manager for SunTrust Bank from July 1981 until October 1987. Mr. Hunt received an AS degree from Abraham Baldwin Agricultural College, a BBA from the University of Georgia and an MBA from the University of Georgia. He also serves on the boards of directors of Florida Bankers Association and the Central and North Florida Chapter of Alzheimer's Association. Mr. Hunt has served as a director of the Company and the Bank since 2007. Additionally, Mr. Hunt serves as a member of the Loan Committee, the Corporate Governance Committee, the Compensation Committee as well as the Executive Committee.

JOSEPH J. THOMAS
Age 52

Mr. Thomas currently serves as Chairman, President and CEO of Bay Bancorp Inc., a savings and loan holding company based in Baltimore, MD that trades on NASDAQ (ticker BYBK). Mr. Thomas also serves on the Board of H Bancorp, a multi-bank investment holding company and successor entity to Hovde Private Equity Advisors. Mr. Thomas enjoyed a distinguished 20-year career with Wachovia Corporation. Mr. Thomas was Managing Director and Head of Financial Institutions Investment Banking for Wachovia Securities. Mr. Thomas holds a Masters of Business Administration degree from the Fuqua School of Business at Duke University and a Bachelor of Arts degree from the University of Virginia. In addition, he is a Chartered Financial Analyst and a National Association of Corporate Directors Governance Fellow. Mr. Thomas is a member of the Lending Committee of Independent Community Bankers of America. Mr. Thomas has served as director of the Company and the Bank since November 2010. Additionally, he serves on the Executive Committee, the Asset Liability Management Committee and Chairs the Compensation Committee.

T. MICHAEL WHITE
Age 67

Mr. White served as Executive Vice President and Chief Lending Officer of the Company and the Bank since inception until December of 2014. Mr. White is currently serving in a part-time capacity and will continue to develop customer relationships while also coordinating activities of our advisory boards of directors. Mr. White has 42 years of banking and lending experience. During 2005 and 2006, he served as interim Chief Executive Officer of First National Bank of St. Mary's, Georgia, a $165 million commercial bank. He was hired by the bank's board of directors to help improve the bank's asset quality. Mr. White served as President of AMC Mortgage from 1994 until he sold the company in November 2006. He formed AMC Mortgage to serve as a commercial mortgage conduit for numerous banks, mortgage companies and private investors. He was President of 1st Performance Bank from 1990 until 1994; which had 16 locations in northeastern Florida and assets of $368 million. Prior to that, he was a Vice President for First Union Bank from 1986 until 1989. During this period, Mr. White was in charge of 16 branches with assets from $725 million to $825 million. Mr. White also worked for Atlantic Bank from 1978 until 1986, during which time he was a Regional Branch Administrator for 49 branches. Mr. White has served as a Director of the Company since 2006 and a Director of the Bank since 2007. Additionally, Mr. White serves on the Loan Committee, and the Asset Liability Management Committee.

Committees of the Boards of Directors

The business and affairs of the Company and the Bank are under the direction of their respective boards of directors. During 2015, the board of directors of the Company held seven meetings and the board of directors of the Bank held twelve meetings. Set forth below are the standing committees of the boards of directors of the Company and the Bank, the principal functions of such committees and the members of each committee during 2015. The Company and the Bank will determine the composition of their respective committees for 2016 following the Annual Meeting.

Executive Committee. The Executive Committee deals generally with issues that do not require full board attention and assists the chief executive officer in general oversight and strategic planning. The Executive Committee consists of Messrs. Coley, Foster, Hunt and Thomas. The Executive Committee held six meetings during 2015.

Audit and Compliance Committee. The principal responsibilities of the Audit and Compliance Committee are to ensure that the board of directors receives accurate and objective information regarding the Company's policies, procedures, and controls with respect to auditing, accounting, internal accounting controls, and financial reporting. The committee also works to ensure that the Company is in compliance with applicable laws and regulations. Among other things, this committee is responsible for the following:

- recommending the appointment of an independent auditor on an annual basis;
- reviewing the independent auditors' report and management's response;
- reviewing all reports from regulatory authorities and management's responses;
- establishing independent reviews and audits;
- establishing appropriate levels of director and officer insurance and blanket bond insurance coverage; and
- reviewing compliance with the Community Reinvestment Act and other regulations, policies and procedures.

The Audit and Compliance Committee consists of Messrs. Boney, Boulos, and Foster. The Audit and Compliance Committee held four meetings during 2015.

Compensation Committee. The Compensation Committee establishes and approves all policies and procedures related to the human resources function of the Company and the Bank to include employee compensation, incentive programs, health insurance, 401(k), and employee stock option plans. The Compensation Committee consists of Messrs. Coley, Foster, Thomas and Hunt. The Compensation Committee held four meetings during 2015.

Asset/Liability Committee. The Asset/Liability Committee is responsible for the overall investment strategy of the Bank. This includes liquidity management, risk management, net interest margin management, monitoring deposit level trends and pricing, monitoring asset level trends and pricing, and portfolio investment decisions. Additionally, this committee works closely with the board of directors to plan annual budgets and to develop three to five-year strategic plans. The Asset/Liability Committee consists of Messrs. Boulos, Buckingham, Thomas, and White. The Asset/Liability Committee held four meetings during 2015.

Director Loan Committee. The Bank's Director Loan Committee is responsible for establishing or approving, in conjunction with management, all major policies and procedures pertaining to lending, including:

- establishing the loan approval system;
- approving all loans in excess of loan authority delegations;
- reviewing all past due reports, rated loan reports, non-accrual reports, and other indicators of overall loan portfolio quality;
- establishing all policies pertaining to credit, loan review and risk management;
- establishing measurements for adequacy of the loan loss reserve; and
- reviewing any other matters pertaining to the loan portfolio such as yield and concentrations.

The Director Loan Committee consists of Messrs. Boney, Coley, Hunt and White. The Director Loan Committee held fourteen meetings during 2015.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee's primary functions are to:

- seek, consider and recommend to the board qualified candidates for election as directors and to recommend a slate of nominees for election as directors at the annual meeting;
- periodically prepare and submit to the board for adoption the Committee's selection criteria for director nominees;
- review and make recommendations on matters involving the general operation of the board, including development and recommendation of the Bank's corporate governance policies, and annually recommend to the board nominees for each committee of the board; and
- facilitate the assessment of the board's performance as a whole and of the individual directors and report thereon to the board.

The Nominating and Corporate Governance Committee consists of Messrs. Boney, Boulos, Buckingham and Hunt. The Nominating and Corporate Governance Committee held two meetings during 2015.

Director Compensation

As compensation for their service on the board of directors, each non-employee director receives a $1,000 monthly retainer. In addition, each committee member receives $500 per committee meeting attended and the committee chairman receives $650 per committee meeting attended. The annual compensation for attendance at board and committee meetings is capped at $20,000 per board member, except for members of the Executive Committee for whom the annual cap is $23,000 per member and $25,000 for the Chairman of the Board. Messrs. Hunt and White do not receive any additional compensation for their service on the board of directors other than their compensation for their service as an executive officer and a part-time employee, respectively.

MANAGEMENT

The officers of the Company serve at the pleasure of the Company's board of directors. The following sets forth certain information with respect to the officers.

Mitchell W. Hunt, Jr. See "Election of Directors" beginning on page 2 of this proxy statement.

Timothy S. Ayers. Mr. Ayers serves as the Executive Vice President, Secretary and Chief Financial Officer of the Company and the Bank. Mr. Ayers has more than 26 years of experience in the financial services industry. Mr. Ayers served as Senior Vice President and Chief Operations Officer for Coastal Banking Company in Fernandina Beach, Florida following its merger with First Capital Bank Holding Corporation. Mr. Ayers served as Senior Vice President and Chief Financial Officer of First Capital Bank Holding Corporation in Fernandina Beach, Florida from 1999 to 2006 and as Vice President and Operations Manager at Community Capital Corporation in Greenwood, South Carolina from 1992 to 1998. Mr. Ayers graduated from Clemson University in 1989 with a degree in financial management.

EXECUTIVE COMPENSATION

The following table shows information with regard to compensation for services rendered in all capacities to the Company by the Company's executive officers for 2015, 2014 and 2013 during which each of them served.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation[1]
		Salary	Bonus	Other Annual Compensation	Stock Options
Mitchell W. Hunt, Jr.	2015	$ 275,000	$ 46,483	$ 25,081 [2]	-
President and	2014	$ 275,000	$ 68,640	$ 24,516 [3]	-
Chief Executive Officer	2013	$ 275,000	$ 52,112	$ 25,815 [4]	-
Timothy S. Ayers	2015	$ 184,500	$ 35,500	$ 27,167 [5]	-
Executive Vice President,	2014	$ 180,000	$ 55,178	$ 26,369 [6]	-
Secretary and Chief Financial Officer	2013	$ 175,000	$ 44,625	$ 25,795 [7]	-

Footnotes

(1) Stock options were granted and distributed to Messrs. Hunt and Ayers in December 2007 and no further options have been granted to these executive officers since that time. For Messrs. Hunt and Ayers, the Company recognized no expense for financial statement accounting purposes in accordance with FASB ASC topic 718 formerly SFAS 123R in each of 2013, 2014 and 2015 with respect to the options that were granted in 2007.

(2) Includes an auto allowance of $12,000 and $13,081 insurance expense primarily for health and disability premiums.

(3) Includes an auto allowance of $12,000 and $12,516 insurance expense primarily for health and disability premiums.

(4) Includes an auto allowance of $12,000 and $13,815 insurance expense primarily for health and disability premiums.

(5) Includes an auto allowance of $12,000 and $15,167 insurance expense primarily for health and disability premiums.

(6) Includes an auto allowance of $12,000 and $14,369 insurance expense primarily for health and disability premiums.

(7) Includes an auto allowance of $12,000 and $13,795 insurance expense primarily for health and disability premiums.

Employment Agreements

Effective January 1, 2012, the Bank entered into employment agreements and the Company entered into change of control agreements with each of Mitchell W. Hunt, Jr. and Timothy S. Ayers to serve as President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, respectively. The employment agreements expired according to their terms effective as of January 1, 2015 and the Bank is currently in the process of entering into new employment agreements with Messrs. Hunt and Ayers. The change of control agreements remain in effect for successive one-year periods.

Under the terms of the employment agreements, Messrs. Hunt and Ayers received a base salary of $275,000 and $175,000 per year, respectively, subject to annual increases in an amount determined by

the board of directors. When Mr. Hunt joined the Bank in 2007, his annual base salary was $300,000, but in 2008, Mr. Hunt took a voluntary temporary salary reduction to an annual base of $275,000 and that amount was reflected in Mr. Hunt's employment agreement. The officers are also each entitled to an annual performance bonus of up to 50% of his then current base salary, with the amount of such bonus, if any, determined by the board of directors based on annual performance goals established by the board.

The employment agreements also included customer and employee non-solicitation provisions and a provision prohibiting each officer from disclosing any trade secrets for as long as any information is defined as such under applicable law. Additionally, the employment agreements prohibited the disclosure of any confidential information gained over the course of each officer's employment for a period of two years following the termination of his employment.

The employment agreements also provided the officers with customary benefits such as disability, health and life insurance, membership fees to professional associations and civic clubs, retirement plans and an automobile allowance of $1,000 per month.

Pursuant to the change of control agreements, if within two years following a change of control, the officer's employment is terminated without cause or the officer terminates his employment agreement for good reason (as such terms are defined in the change of control agreements), then such officer is entitled to a lump sum payment equal to three times his then current base salary, plus continuing health and other benefits for a period of time.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the amount of our common stock beneficially owned, as of February 26, 2016 by each of our directors and officers, any person who is known by us to beneficially own more than five percent (5%) of our common stock and all our current directors and officers as a group, including (i) their names and ages as of February 26, 2016, (ii) the number of shares subject to options they are entitled to receive and (iii) the percentage of outstanding shares that such number represents. The address of each of the individuals below is the address of our main office.

Name (Age) Directors and Officers	Positions Held	Number of Shares		Percentage of Outstanding Shares [1]
Timothy S. Ayers (48)	Executive Vice President, Secretary and Chief Financial Officer	15,000	[2]	0.25%
Walter T. Boney, Jr. (53)	Director	55,153		0.92%
E.Zimmermann Boulos (60)	Director	10,000		0.17%
William T. Buckingham (55)	Director	45,000		0.75%
Thomas H. Coley (73)	Director	51,226		0.85%
Brian R. Foster (67)	Director	15,000		0.25%
Mitchell W. Hunt, Jr. (57)	Director, President and Chief Executive Officer	65,000	[3]	1.08%
Joseph J. Thomas (52)	Director	71,012	[4]	1.18%
T. Michael White (67)	Director	37,483	[5]	0.63%
All directors and officers as a group (9 persons)		364,874		6.08%

[1] Based on 5,994,955 outstanding shares as of February 26, 2016, the record date for the Annual Meeting.

[2] In addition to the shares shown above, Mr. Ayers also beneficially owns exercisable options to purchase an additional 50,000 shares.

[3] In addition to the shares shown above, Mr. Hunt also beneficially owns fully exercisable options to purchase an additional 82,648 shares.

[4] In addition to the shares shown above, Mr. Thomas also owns exercisable warrants to purchase an additional 1,260 shares.

[5] In addition to the shares shown above, Mr. White also beneficially owns exercisable options and warrants to purchase an additional 122,648 shares.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We expect to enter into banking and business transactions in the ordinary course of business with our directors and officers, including members of their families or corporations, partnerships or other organizations in which these directors and officers have a controlling interest. If transactions between the Company and any of our directors or officers occur, the transaction:

- will be on substantially the same terms, including price or interest rate and collateral, as those prevailing at the time for comparable transactions with unrelated parties, and any banking transactions will not be expected to involve more than the normal risk of collectability or present other unfavorable features to us;

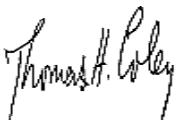
- will be on terms no less favorable than could be obtained from an unrelated third party; and

- will be approved by a majority of the directors who do not have an interest in the transaction.

OTHER MATTERS

At the time of the preparation of this Proxy Statement, the Company was not aware of any matters to be presented for action at the Annual Meeting other than the proposals referred to herein. If other matters are properly presented for action at the Annual Meeting, it is intended that the persons named as proxies will vote or refrain from voting in accordance with their best judgment on such matters.

By Order of the Board of Director



Thomas H. Coley
Chairman of the Board of Directors



Mitchell W. Hunt, Jr
President and Chief Executive Officer

Jacksonville, Florida
March 4, 2016

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HANCOCK ASKEW & CO LLP
ACCOUNTANTS & ADVISORS

Independent Auditor's Report

The Board of Directors and Shareholders
FirstAtlantic Financial Holdings, Inc. and Subsidiary
Jacksonville, Florida

We have audited the consolidated balance sheets of FirstAtlantic Financial Holdings, Inc. (the Company) and subsidiary as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FirstAtlantic Financial Holdings, Inc. and subsidiary as of December 31, 2015 and 2014, and the results of their operations and cash flows for each of the three years in the period ended December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Hancock Askew & Co., LLP

Savannah, Georgia
February 11, 2016

FirstAtlantic Financial Holdings, Inc. and Subsidiary

Consolidated Balance Sheets
(in thousands, except share data)

December 31,		**2015**		2014
ASSETS				
Cash and due from banks	**$**	**12,215**	$	11,053
Federal funds sold		**312**		370
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 allowance for loan losses of $2,012 in 2015 and $1,789 in 2014		**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, net		**2,134**		2,388
Other assets		**1,233**		797
	$	**421,803**	$	384,747
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Deposits				
Noninterest-bearing	**$**	**89,432**	$	81,408
Interest-bearing demand		**54,448**		50,360
Savings and money market		**152,859**		123,571
Time		**56,766**		70,687
		353,505		326,026
Advances from Federal Home Loan Bank		**10,000**		3,000
Accrued interest payable		**95**		180
Other liabilities		**478**		715
		364,078		329,921
Commitments and contingencies (Note 12)				
Shareholders' equity				
Preferred stock, $.01 par value; 5,000,000 shares authorized; none 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 loss, net of tax		**(795)**		(675)
		57,725		54,826
	$	**421,803**	$	384,747

See accompanying notes to the financial statements.

FirstAtlantic Financial Holdings, Inc. and Subsidiary

Consolidated Statements of Income
(in thousands, except share data)

Years ended December 31,	**2015**	2014	2013
Interest income			
Loans, including fees	**$ 16,223**	$ 17,863	$ 15,985
Investment securities	**1,252**	1,447	1,536
Other interest and investment income	**123**	65	58
Total interest income	**17,598**	19,375	17,579
Interest expense			
Deposits	**1,537**	1,690	1,840
Federal Home Loan Bank advances	**7**	141	341
Total interest expense	**1,544**	1,831	2,181
Net interest income	**16,054**	17,544	15,398
Provision for loan losses	**501**	1,768	1,180
Net interest income after provision for loan losses	**15,553**	15,776	14,218
Non-interest income			
Service fees on deposit accounts	**656**	586	532
Gain on sale of loans	**779**	1,316	17
Gain on acquisitions	**-**	-	3,720
Gain on sale of securities available-for-sale	**29**	41	144
Gain or (loss) on sale of other real estate	**56**	(119)	73
Other operating income	**657**	663	641
Total non-interest income	**2,177**	2,487	5,127
Non-interest expense			
Salaries and employee benefits	**6,972**	6,960	6,665
Occupancy and equipment	**1,431**	1,516	1,564
Amortization of intangible assets	**329**	329	263
Data processing and communications	**988**	974	961
Expenses and valuation adjustments on other real estate	**124**	701	276
FDIC insurance	**250**	307	307
Legal, accounting and audit fees	**530**	500	530
Expense on disposition of premises and equipment	**2**	-	357
Expense for CenterBank acquisition settlement	**-**	1,612	600
Prepay penalty of Federal Home Loan Bank advance	**-**	256	-
Other operating expenses	**1,288**	1,227	1,558
Total non-interest expense	**11,914**	14,382	13,081
Net income before taxes	**5,816**	3,881	6,264
Income tax expense	**(2,208)**	(1,475)	(2,379)
Net income	**$ 3,608**	$ 2,406	$ 3,885
Basic earnings per common share	**$ .60**	$ 0.42	$ 0.68
Basic average common shares outstanding	**5,994,955**	5,713,278	5,701,228
Diluted earnings per common share	**$ .60**	$ 0.42	$ 0.68
Diluted weighted average common shares outstanding	**5,995,166**	5,713,278	5,701,228

See accompanying notes to consolidated financial statements

FirstAtlantic Financial Holdings, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income
(in thousands)

Years ended December 31,	**2015**	2014	2013
Net income	**$ 3,608**	$ 2,406	$ 3,885
Other comprehensive income (loss) items:			
Net unrealized (losses) or gains on available-for-sale investment securities arising during the year	**(165)**	1,626	(3,858)
Deferred income tax (expense) benefit related to change in unrealized gains or losses during the year	**63**	(618)	1,466
Reclassification adjustment for realized gains on sale of available-for-sale investment securities	**(29)**	(41)	(144)
Income tax expense on realized gains on sale of available-for-sale investment securities	**11**	16	54
Other comprehensive (loss) income	**(120)**	983	(2,482)
Comprehensive income	**$ 3,488**	$ 3,389	$ 1,403

See accompanying notes to consolidated financial statements.

FirstAtlantic Financial Holdings, Inc. and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity
(in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance, January 1, 2013	5,701,228	$ 57	$ 49,820	$ (3,518)	$ 824	$ 47,183
Net income	-	-	-	3,885	-	3,885
Stock-based compensation	-	-	16	-	-	16
Change in unrealized gain on securities available-for-sale, net of tax	-	-	-	-	(2,482)	(2,482)
Balance, December 31, 2013	5,701,228	57	49,836	367	(1,658)	48,602
Stock issuance for CenterBank settlement	293,727	3	2,809	-	-	2,812
Net income	-	-	-	2,406	-	2,406
Stock-based compensation	-	-	23	-	-	23
Change in unrealized gain on securities available-for-sale, net of tax	-	-	-	-	983	983
Balance, December 31, 2014	5,994,955	60	52,668	2,773	(675)	54,826
Net income	**-**	**-**	**-**	**3,608**	**-**	**3,608**
Stock-based compensation	**-**	**-**	**10**	**-**	**-**	**10**
Dividends paid ($.10 per share)	**-**	**-**	**-**	**(599)**	**-**	**(599)**
Change in unrealized gain on securities available-for-sale, net of tax	**-**	**-**	**-**	**-**	**(120)**	**(120)**
Balance, December 31, 2015	**5,994,955**	**$ 60**	**$ 52,678**	**$ 5,782**	**$ (795)**	**$ 57,725**

See accompanying notes to consolidated financial statements.

FirstAtlantic Financial Holdings Inc. and Subsidiary

Consolidated Statements of Cash Flows
(in thousands)

Years ended December 31,	**2015**	2014	2013
Cash flows from operating activities			
Net income	**$ 3,608**	$ 2,406	$ 3,885
Adjustments to reconcile net income to net cash provided by operating			
Provision for loan losses	**501**	1,768	1,180
Depreciation, amortization and accretion	**(591)**	(1,335)	(543)
Stock-based compensation	**10**	23	16
Deferred tax expense	**328**	(108)	22
Originations of loans held-for-sale	**-**	(1,039)	-
Proceeds from sale of SBA loans	**-**	1,201	67
Gain from sale of SBA loans	**-**	(162)	(17)
Gain from sale of securities available-for-sale	**(29)**	(41)	(144)
Gain on acquisitions	**-**	-	(3,720)
Net (gain) or loss on sale of other real estate	**(56)**	119	(73)
Impairment of other real estate owned	**72**	424	45
Loss on disposition of premises and equipment	**2**	-	357
CenterBank acquisition settlement expense	**-**	1,612	600
Changes in			
Interest receivable	**23**	67	(22)
Accrued interest payable	**(85)**	-	(35)
Other assets	**(435)**	(157)	3,619
Other liabilities	**(237)**	(2,641)	(1,842)
Cash provided by operating activities	**3,111**	2,137	3,395
Cash flows from investing activities			
Increase in interest bearing deposits in banks	**(7,198)**	(250)	-
Proceeds from sale of securities available-for-sale	**1,091**	5,704	11,644
Proceeds from maturities and payments of securities available-for-sale	**9,894**	11,408	14,341
Purchases of securities available-for-sale	**(21,146)**	-	(7,431)
Proceeds from maturities and payments of securities held to maturity	**237**	11	-
Purchases of securities held to maturity	**(6,727)**	(1,090)	-
Change in Federal Home Loan Bank stock	**(124)**	395	243
Proceeds from sale of portfolio loans	**3,228**	2,495	-
Gain from sale of portfolio loans	**(779)**	(1,154)	-
Net change in loans	**(15,355)**	(15,765)	328
Proceeds from sales of other real estate owned	**1,016**	4,258	1,643
Proceeds (paid) / received from acquisitions	**-**	-	36,685
Purchases of premises and equipment	**(274)**	(245)	(364)
Cash (used for) provided by investing activities	**(36,137)**	5,767	57,089
Cash flows from financing activities			
Net change in deposits	**27,479**	4,971	(56,608)
Net change in Federal Home Loans Bank advances	**7,000**	(11,100)	(3,200)
Dividends paid to shareholders	**(599)**	-	-
Cash provided by (used for) financing activities	**33,880**	(6,129)	(59,808)
Net change in cash and cash equivalents	**854**	1,775	676
Cash and cash equivalents, beginning of year	**11,673**	9,648	8,972
Cash and cash equivalents, end of year	**$ 12,527**	$ 11,423	$ 9,648
Cash paid during the year for interest	**$ 1,630**	$ 1,831	$ 2,181
Cash paid during the year for taxes	**$ 2,649**	$ 4,325	$ 52
Non-cash investing and financing activities			
Change in unrealized gain/loss on securities available-for-sale, net of tax	**$ (120)**	$ 983	$ (2,482)
Issuance of stock in CenterBank settlement	**$ -**	$ 2,812	$ -
Loans transferred for foreclosed assets, net of impairments	**$ 78**	$ 2,930	$ 4,521

See accompanying notes to consolidated financial statements.

NOTE 1 – Basis of Presentation and Summary of Significant Accounting Policies

FirstAtlantic Financial Holdings, Inc. (the Company) was incorporated July 6, 2006 for the purpose of becoming a thrift holding company. The Company's subsidiary, FirstAtlantic Bank (the Bank), is a community oriented bank and offers such customary banking services as consumer and commercial checking accounts, savings accounts, certificates of deposit, commercial and consumer loans, money transfers and a variety of other banking services. The Bank primarily conducts activities in Jacksonville, Florida and surrounding areas. The Bank has eight full service offices in Duval, St. Johns, and Clay counties in Florida. The primary regulator of the Company is the Federal Reserve and the primary regulator of the Bank is the Office of the Comptroller of the Currency. Most of the Company's business activity is with customers located within the Jacksonville, Florida area. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in the Jacksonville, Florida area.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its subsidiary, FirstAtlantic Bank. All intercompany accounts and transactions have been eliminated in consolidation.

Acquisition Accounting: Acquisitions are accounted for under the purchase method of accounting. Purchased assets and assumed liabilities are recorded at their estimated fair values as of the purchase date. Any identifiable intangible assets are also recorded at fair value. When the fair value of the assets purchased exceeds the fair value of purchase consideration including liabilities assumed, it results in a "bargain purchase gain." If the consideration given exceeds the fair value of the net assets received, goodwill would be recognized. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available.

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date and the carryover of the related allowance for loan losses is prohibited. When the loans have evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all contractually required principal and interest payments, the difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the non-accretable discount. The Company must estimate expected cash flows at each reporting date. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in expected cash flows result in a reversal of the provision for loan losses to the extent of prior provisions and adjust accretable discount if no prior provisions have been made. An increase in accretable discount would have a positive impact on interest income.

All identifiable intangible assets that are acquired in a business combination are recognized at fair value on the acquisition date. Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e., capable of being sold, transferred, licensed, rented, or exchanged separately from the entity). Because deposit liabilities and the related customer relationship intangible assets may be exchanged in a sale or exchange transaction, the intangible asset associated with the depositor relationship is considered identifiable.

Cash and Cash Equivalents: Cash and cash equivalents include amounts due from banks, federal funds sold, and interest bearing deposits in banks that mature within a period of less than 90 days. Federal funds sold are generally sold for one-day periods.

NOTE 1 – Basis of Presentation and Summary of Significant Accounting Policies (cont.)

Investment Securities: The Company classifies its securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities for which the Bank has the ability and intent to hold until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale. During the years ended December 31, 2015 and 2014, no securities were held for trading purposes.

Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on securities available-for-sale are excluded from earnings and are reported as a separate component of shareholders' equity until realized. The fair value estimate is provided by an independent third-party and is based upon identical securities in an active market.

Investment securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost.

Investment securities are evaluated for other-than-temporary impairment annually, or more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which fair value has been less than cost, the financial condition and near-term prospects of the issuer and, the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Premiums and discounts are amortized or accreted over the life of the related securities as adjustments to yield. Realized gains and losses on sales of securities classified as available-for-sale are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of purchase premiums and discounts, deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level yield method.

A loan is considered impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral less estimated costs to sell if the loan is collateral dependent.

NOTE 1 – Basis of Presentation and Summary of Significant Accounting Policies (cont.)

Loans (cont.): Accrual of interest is discontinued when a loan becomes 90 days past due and is not both well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is reversed out of interest income on loans. Generally, payments on nonaccrual loans are applied to principal.

Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDR's) and classified as impaired.

In addition to loans acquired with branch or bank acquisitions, from time to time the Company purchases individual loans and groups of loans, some of which have shown evidence of credit deterioration since origination. These purchased loans are recorded at the amount paid, such that there is no carryover of the seller's allowance for loan losses. After acquisition, losses are recognized by an increase in the allowance for loan losses.

Purchased loans are accounted for individually or aggregated into pools of loans based on common risk characteristics such as, credit rating, loan type, and date of origination. The Company estimates the amount and timing of expected cash flows for each purchased loan or pool, and the expected cash flows in excess of the amount paid is recorded as interest income over the remaining life of the loan or pool (accretable yield). The excess of the loan's or pool's contractual principal and interest over expected cash flows is not recorded (non-accretable discount).

Over the life of the loan or pool, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Subsequent recoveries, if any, are credited to the allowance. The allowance consists of specific and general components.

The general component covers non impaired loans and is based on historical loss experience adjusted for current factors. Management estimates the allowance balance required using past loan loss experience over the most recent 24 months, industry loss experience for similar lending categories, the nature and volume of the portfolio, delinquency trends, economic conditions, a loan grading system, and other factors.

The specific component relates to loans that are individually classified as impaired. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed.

NOTE 1 – Basis of Presentation and Summary of Significant Accounting Policies (cont.)

Allowance for Loan Losses (cont.): Troubled debt restructurings are separately identified for impairment and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral less estimated selling costs. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The allowance for loan losses evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

Other Real Estate Owned: Other real estate includes those properties acquired through foreclosure or in full or partial satisfaction of the related loan. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs of improvements are capitalized up to the fair value of the property, whereas costs relating to holding foreclosed assets and subsequent adjustments to the value are charged to operations.

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation. Major additions and improvements are charged to the property accounts while replacements, maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. When property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is recognized. Depreciation expense on buildings, furniture and equipment, software and vehicles is computed using the straight-line method over estimated useful lives, which range from 3 to 39 years. Depreciation expense on leasehold improvements is computed using the straight-line method over the lease term.

Intangible Assets: The Company purchased the Bank charter in connection with the original acquisition of assets resulting in a non-amortizable intangible asset. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination. Goodwill and other intangible assets deemed to have an indefinite useful life are not amortized but instead are subject to an annual review for impairment. Impairment tests may be performed more often if events or circumstances indicate impairment may exist.

Core deposit premiums acquired in connection with business combinations represent the value of acquired customer deposits. A core deposit premium is initially recognized based on a valuation performed as of the consummation date and amortized over an estimated useful life of three to ten years. The remaining useful lives of core deposit intangibles are evaluated periodically to determine whether events and circumstances warrant a revision to the remaining period of amortization.

NOTE 1 – Basis of Presentation and Summary of Significant Accounting Policies (cont.)

Stock Based Compensation: The Company accounts for its stock compensation plans using a fair value based method of accounting whereby compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period.

Income Taxes: Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies.

The Company evaluates the need to recognize liabilities for uncertain tax positions by evaluating the weight of available evidence that would indicate that it is more likely than not that the position will be sustained on audit and estimating and measuring the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. Results are contingent on probabilities of possible outcomes that are subjective in nature. The Company re-evaluates certain tax positions and takes into consideration such factors including, but not limited to, changes in tax law and expiration of statutes of limitations and changes in facts and circumstances. Such changes in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision. Interest and penalties on related income tax are charged to income tax expense.

Basic and Dilutive Earnings Per Share: Basic earnings per share represents the net income for the period divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, and considering any adjustment to income that would have resulted from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding options and warrants and are determined using the treasury stock method.

Comprehensive Income: Accumulated other comprehensive income is comprised of unrealized gains and losses on available-for-sale securities and is reported net of applicable taxes. The Company records the changes in unrealized gains and losses on available-for-sale securities as a component of accumulated other comprehensive income and reports those changes in the statement of shareholders' equity. Gains and losses on available-for-sale securities are reclassified to net income as the gains or losses are realized upon sale of the securities.

Off-Balance Sheet Financial Instruments: In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable and are subject to the same credit policies and processes afforded loans by the Company.

NOTE 1 – Basis of Presentation and Summary of Significant Accounting Policies (cont.)

Use of Estimates: The accounting principles followed by the Company, and the method of applying these principles, conform with accounting principles generally accepted in the United States of America (GAAP) and with general practices within the banking industry. In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ significantly from those estimates. Material estimates common to the banking industry that are particularly susceptible to significant change in the near term include, but are not limited to, the determination of the allowance for loan losses and the determination of fair value of acquired loans and valuation allowances associated with the realization of deferred tax assets, which are based on future taxable income. While management uses all available information to estimate loan losses, future additions to the allowance may be necessary based on changes in local economic conditions or changes in the underlying credit of borrowers. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examinations. Because of these factors, it is reasonably possible that the allowance for loan losses may change materially in the near term.

Loss Contingencies: Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

Advertising Costs: Advertising costs are expensed as incurred.

Reclassifications: Certain reclassifications of prior year amounts have been made to conform with the current year presentations.

Subsequent Events: Subsequent events have been evaluated from January 1, 2016 through February 11, 2016, the date the financial statements were available to be issued. Events occurring during this period that provided additional evidence about conditions that existed at December 31, 2015, have been recognized in the financial statements for the period ended December 31, 2015.

NOTE 1 – Basis of Presentation and Summary of Significant Accounting Policies (cont.)

Summary of Recent Accounting Pronouncements: In January of 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-04, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans under Foreclosure*. This ASU clarifies when an in substance repossession or foreclosure has occurred and when a creditor should derecognize the associated loan receivable and recognize the real estate property. The amendments in this update are effective for annual periods beginning after December 15, 2015. The adoption of this guidance is not expected to be material to the Company's financial position, results of operations, or cash flows.

In August of 2015, the FASB issued ASU No. 2014-14, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*. The amendments in this update require that a mortgage loan be derecognized and that a separate other receivable be recognized upon the meeting of certain criteria. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The amendments in this update are effective for annual periods beginning after December 15, 2015. It is not expected to be material to the Company's financial position, results of operations, or cash flows.

In September of 2015, the FASB issued ASU No. 2015-16, *Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments*. The amendments in this update require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. In addition, the amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of the changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this update are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 with early adoption permitted for fiscal years beginning after December 15, 2017 including interim periods within those years. The adoption of this guidance is not expected to be material to the Company's financial position, results of operations, or cash flows.

NOTE 2 – Restrictions on Cash and Due from Banks

When required, cash and due from banks includes required reserve amounts which under Federal Reserve Board Regulations are to be maintained on an average daily basis in the form of cash, based on a percentage of deposits. The total of those required reserve balances was approximately $5,710,000 and $4,365,000 at December 31, 2015 and 2014, respectively.

NOTE 3 – Mergers and Acquisitions

On April 19, 2013, the Bank acquired certain assets and assumed the deposits from the Federal Deposit Insurance Corporation (FDIC) as Receiver of Heritage Bank of North Florida (HBNF). The purchase included one office at 794 Blanding Boulevard in Orange Park, FL and one office at 100 Corridor Road South in Ponte Vedra, FL. The primary reasons for the acquisition were to expand the Company's service area in Jacksonville, Florida expand the customer base, enhance net interest income, and gain operating synergies in noninterest expenses. The assets were acquired with no loss share through the FDIC failed bank bid process at a discount of $24,950,000.

NOTE 3 – Mergers and Acquisitions (cont.)

The acquisition of HBNF has been accounted for using the purchase method. Assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. The fair values of identifiable intangible assets were based on valuations using the income approach and estimates provided by management. The net difference of the fair market value of assets acquired less the fair market value of liabilities and the purchase price was recorded as gain on acquisition in the Company's consolidated statement of operations.

On the acquisition date, the outstanding principal balance (the contractually required payments receivable) for all loans with deteriorated credit quality acquired in the acquisition was $44,392,000 and the estimated fair value of the loans was $24,670,000.

In its assumption of the deposit liabilities in the acquisition, the Company believed that the customer relationships associated with these deposits have intangible value. The Company determined the fair value of a core deposit intangible asset was approximately $456,000 for the HBNF acquisition. In determining the valuation amount, deposits were analyzed based on factors such as type of deposit, deposit retention, interest rates, age of deposit relationships, and the maturities of time deposits.

The results of operations of HBNF subsequent to the acquisition date are included in the Company's consolidated statements of operations.

A summary of the net assets acquired at fair value for the prior years are as follows (in thousands):

		HBNF
Assets acquired		
Cash and equivalents	$	36,685
Securities available-for-sale		6,463
Loans		60,366
Premises and fixed assets		3,848
Core deposit intangible		456
Goodwill		-
Other assets		233
Fair value of assets acquired		108,051
Liabilities assumed		
Noninterest bearing deposits		7,152
Interest bearing checking		6,944
Savings and money markets		28,805
Time deposits		20,123
Internet deposits		41,102
Total deposits		104,126
Accrued interest on deposits and other liabilities		205
Fair value of liabilities assumed		104,331
Net assets acquired		3,720
Cash paid at acquisition		-
Gain from acquisition	$	3,720

NOTE 3 – Mergers and Acquisitions (cont.)

In connection with the asset purchase agreement with CenterBank of Jacksonville, a loan loss sharing agreement existed in which shares of common stock in FirstAtlantic Financial Holdings, Inc., were to be issued to the seller in the event that losses related to the acquired loan portfolio are less than approximately $8.7 million over a three year period that ended in December of 2014. The agreement provided that the seller will receive a number of shares equal to the quotient of: (A) a numerator that is 67% of the amount that is the difference between $8.7 million and the actual losses (as defined in the agreement) as divided by (B) a denominator that is 110% of the then-current tangible book value of a share of common stock of FirstAtlantic Financial Holdings, Inc. Over the period of the agreement the Company recorded its estimate of the contingent liability by recording a pretax expense to the consolidated operations, which created a temporary reduction of equity through the income statement. The agreement was settled in December of 2014 through issuance of 293,727 shares of common stock valued at $2,812,000.

NOTE 4 – Investment Securities

Investment securities available-for-sale at December 31, 2015 and 2014 are as follows (in thousands):

December 31, 2015	**Amortized Costs**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. government agency securities	**$ 7,048**	**$ 100**	**$ (36)**	**$ 7,112**
State, county and municipal securities	**2,874**	**49**	**(4)**	**2,919**
Mortgage-backed securities	**64,522**	**162**	**(1,553)**	**63,131**
Total investment securities	**$ 74,444**	**$ 311**	**$ (1,593)**	**$ 73,162**

December 31, 2014	Amortized Costs	Unrealized Gains	Unrealized Losses	Fair Value
U.S. government agency securities	$ 4,827	$ 126	$ (35)	$ 4,918
State, county and municipal securities	2,923	92	-	3,015
Mortgage-backed securities	56,814	247	(1,518)	55,543
Total investment securities available for sale	$ 64,564	$ 465	$ (1,553)	$ 63,476

NOTE 4 – Investment Securities (cont.)

Investment securities held to maturity at December 31, 2015 and 2014 are as follows (in thousands):

December 31, 2015	**Amortized Costs**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
State, county and municipal securities	**$ 4,106**	**$ 15**	**$ (1)**	**$ 4,120**
Mortgage-backed securities	**3,386**	**5**	**(25)**	**3,366**
Total investment securities	**$ 7,492**	**$ 20**	**$ (26)**	**$ 7,486**

December 31, 2014	Amortized Costs	Unrealized Gains	Unrealized Losses	Fair Value
Mortgage-backed securities	$ 1,076	$ 6	$ -	$ 1,082
Total investment securities	$ 1,076	$ 6	$ -	$ 1,082

At December 31, 2015 and 2014, the Company had no securities classified as trading.

During the year ended December 31, 2015, available-for-sale securities were sold for total proceeds of approximately $1,091,000 and the gross realized gains on these sales totaled approximately $29,000. During the year ended December 31, 2014, available-for-sale securities were sold for total proceeds of approximately $5,704,000, and the gross realized gains on these sales totaled approximately $41,000. For purpose of determining gross realized gains, the cost of securities sold is based on specific identification.

Investment securities with an approximate market value of $4,801,000 at December 31, 2015 were pledged to secure public deposits and for other purposes.

The amortized cost and fair value of securities at December 31, 2015 by contractual maturity are summarized in the tables below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

Securities available for sale (in thousands)	**Amortized Cost**	**Fair Value**
Due after one year through five years	**$ 6,022**	**$ 6,037**
Due after five years through ten years	**24,176**	**23,991**
Due after ten years	**44,246**	**43,134**
Total investments available for sale	**$ 74,444**	**$ 73,162**

NOTE 4 – Investment Securities (cont.)

Securities held to maturity (in thousands)	Amortized Cost	Fair Value
Due after one year through five years	$ 560	$ 564
Due after five years through ten years	2,342	2,334
Due after ten years	4,590	4,588
Total investments held to maturity	$ 7,492	$ 7,486

Unrealized losses on debt securities arise due to changing interest rates and market conditions and are considered to be temporary because of acceptable investment grades where the repayment sources of principal and interest are backed by the U.S. government and government sponsored corporations.

The following table details the gross unrealized losses and fair value of securities aggregated by category and duration of continuous unrealized loss position at December 31, 2015 (in thousands):

Securities available for sale (in thousands)

	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair value	Unrealized Losses	Fair value	Unrealized Losses
U.S. government agencies	$ 3,095	$ (17)	$ 1,051	$ (19)	$ 4,146	$ (36)
State, county and municipal securities	1,035	(4)	-	-	1,035	(4)
Mortgage-backed securities	23,602	(268)	28,285	(1,285)	51,887	(1,553)
Total temporarily impaired securities	$ 27,732	$ (289)	$ 29,336	$ (1,304)	$ 57,068	$ (1,593)

Securities held to maturity (in thousands)

	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair value	Unrealized Losses	Fair value	Unrealized Losses
State, county and municipal securities	$ 1,443	$ (1)	$ -	$ -	$ 1,443	$ (1)
Mortgage-backed securities	2,529	(25)	-	-	2,529	(25)
Total temporarily impaired securities	$ 3,972	$ (26)	$ -	$ -	$ 3,972	$ (26)

Management and the Company's Board of Directors evaluate securities for other-than-temporary impairment at least on an annual basis, or more frequently when economic or market concerns warrant such evaluation. The majority of the unrealized losses on debt securities relate to changes in interest rates. The Company believes that each investment poses minimal credit risk and further, that the Company does not intend to sell these investment securities at an unrealized loss position at December 31, 2015, and it is more likely than not that the Company will not be required to sell these securities prior to recovery or maturity. Therefore, at December 31, 2015, these investments are not considered impaired on an other-than-temporary basis.

NOTE 5 – Loans

The Bank engages in a full complement of lending activities, including real estate-related loans, commercial and financial loans and consumer installment loans primarily within select markets in Florida. The Bank concentrates the majority of its lending activities in real estate loans. While risk of loss in the Company's portfolio is primarily tied to the credit quality of the various borrowers, risk of loss may increase due to factors beyond the Company's control, such as local, regional and/or national economic downturns. General conditions in the real estate market may also impact the relative risk in the real estate portfolio.

A substantial portion of the Bank's loans are secured by real estate in the Bank's primary market area. In addition, the other real estate owned (OREO) is located in those same markets. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio and the recovery of the carrying amount of OREO are susceptible to changes in real estate conditions in the Bank's primary market area.

Commercial, financial and agricultural loans include both secured and unsecured loans for working capital, expansion, and other business purposes. Short-term working capital loans are secured by non-real estate collateral such as accounts receivable, inventory and equipment. The Company evaluates the financial strength, cash flow, management, credit history of the borrower and the quality of the collateral securing the loan. The Bank often requires personal guarantees and secondary sources of repayment on loans.

Real estate loans include construction and development loans, commercial and residential loans. Construction and development loans include loans for the development of residential neighborhoods, construction of one-to-four family residential, construction loans to builders and consumers, and commercial real estate construction loans, primarily for owner-occupied properties. The Company limits its construction lending risk through adherence to established underwriting procedures. Commercial real estate loans include loans secured by owner-occupied commercial buildings for office, storage, retail, and warehouse space. They also include non-owner occupied commercial buildings such as leased retail and office space. Commercial real estate loans may be larger in size and may involve a greater degree of risk than one-to-four family residential mortgage loans. Payments on such loans are often dependent on successful operation or management of the properties. The Company's residential loans represent permanent mortgage financing and are secured by residential properties located within the Bank's market areas.

Consumer installment loans and other loans include automobile loans, boat and recreational vehicle financing, and both secured and unsecured personal loans. Consumer loans carry greater risks than other loans, as the collateral can consist of rapidly depreciating assets such as automobiles and equipment that may not provide an adequate source of repayment of the loan in the case of default.

NOTE 5 – Loans (cont.)

Major classifications of loans at December 31, 2015 and 2014 are summarized as follows (in thousands):

December 31,		**2015**		2014
Commercial and industrial	**$**	**25,345**	$	28,018
Real estate - commercial		**169,508**		171,426
Real estate - construction land and development		**21,150**		15,369
Real estate - 1 - 4 family residential		**81,421**		69,703
Consumer		**3,611**		2,038
		301,035		286,554
Less: Deferred loan fees, and costs, net		**521**		431
Total Loans		**300,514**		286,123
Less: Allowance for loan losses		**2,012**		1,789
Loans, net of allowance for loan losses	**$**	**298,502**	$	284,334

The loan portfolio was disaggregated into five segments. A portfolio segment is defined as the level in which an entity develops and documents a systematic method for determining its allowance for loan losses. The segments used in the portfolio include commercial and industrial; real estate - commercial; real estate - construction land and development; real estate - 1 - 4 family residential; and consumer.

Changes in the allowance for loan losses for the years ended December 31, 2015, 2014 and 2013 are summarized as follows (in thousands):

December 31,		**2015**		2014		2013
Balance beginning of period	**$**	**1,789**	$	2,054	$	1,822
Provision for loan losses		**501**		1,768		1,180
Charge-offs						
Commercial and industrial		**79**		1,276		68
Real estate - commercial		**652**		284		515
Real estate - construction land and development		**364**		251		391
Real estate - 1 - 4 family residential		**106**		274		71
Consumer		**1**		-		204
Total loans charged-off		**1,202**		2,085		1,249
Recoveries						
Commercial and industrial		**674**		11		3
Real estate - commercial		**202**		-		285
Real estate - construction land and development		**25**		-		-
Real estate - 1 - 4 family residential		**21**		37		12
Consumer		**2**		4		1
Total recoveries		**924**		52		301
Net charge-offs		**278**		2,033		948
Balance end of period	**$**	**2,012**	$	1,789	$	2,054

NOTE 5 – Loans (cont.)

The following table summarizes the Bank's allowance for loan losses by loan types.

Included in loans individually evaluated for impairment are loans purchased in acquisitions with deteriorated credit quality. These loans are marked to market at the time of purchase and carried net of associated discount in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 310. A reserve for loan losses is not established unless the loan is impaired beyond the net carrying value as of period end. In addition, purchased loans with deteriorated credit quality that have no associated discount and are specifically evaluated for additional reserve for loans losses are included in *Impaired loans with no associated discount*.

Loans individually evaluated for impairment (in thousands):

	December 31, 2015			December 31, 2014		
	Contractual Unpaid Principal Balance	**Net Recorded Investment in Loans**	**Allowance for Loan Losses**	Contractual Unpaid Principal Balance	Net Recorded Investment in Loans	Allowance for Loan Losses
Impaired loans with no associated discount						
Commercial and industrial	**$ -**	**$ -**	**$ -**	$ 758	$ 49	$ -
Real estate - commercial	**3,386**	**2,158**	**1**	2,359	1,540	-
Real estate - construction land and development	**1,143**	**297**	**-**	2,768	2,266	-
Real estate - 1 - 4 family residential	**1,034**	**926**	**29**	1,038	994	65
Consumer	**-**	**-**	**-**	-	-	-
Total	**5,563**	**3,381**	**30**	6,923	4,849	65
Impaired loans purchased through acquisitions and carried net of associated discount						
Commercial and industrial	**643**	**625**	**-**	1,064	922	-
Real estate - commercial	**14,111**	**11,099**	**-**	18,931	13,595	-
Real estate - construction land and development	**764**	**627**	**-**	891	596	-
Real estate - 1 - 4 family residential	**7,378**	**5,297**	**-**	7,679	5,067	-
Consumer	**14**	**14**	**-**	20	17	-
Total	**22,910**	**17,662**	**-**	28,585	20,197	-
Total loans individually evaluated for impairment	**$ 28,473**	**$ 21,043**	**$ 30**	$ 35,508	$ 25,046	$ 65

NOTE 5 – Loans (cont.)

Loans collectively evaluated for impairment (in thousands):

	December 31, 2015			December 31, 2014		
	Contractual Unpaid Principal Balance	**Net Recorded Investment in Loans**	**Allowance for Loan Losses**	Contractual Unpaid Principal Balance	Net Recorded Investment in Loans	Allowance for Loan Losses
Loans with no associated discount						
Commercial and industrial	**$ 23,595**	**$ 23,753**	**$ 119**	$ 24,677	$ 24,693	$ 296
Real estate - commercial	**127,257**	**127,178**	**1,193**	98,913	99,013	857
Real estate - construction land and development	**19,712**	**19,623**	**259**	10,695	10,655	125
Real estate - 1 - 4 family residential	**59,924**	**59,524**	**406**	46,169	45,735	431
Consumer	**3,366**	**3,381**	**5**	1,620	1,619	15
Total	**233,854**	**233,459**	**1,982**	182,074	181,715	1,724
Loans purchased through acquisitions and carried net of associated discount						
Commercial and industrial	**941**	**954**	**-**	2,359	2,348	-
Real estate - commercial	**28,494**	**28,724**	**-**	57,867	57,034	-
Real estate - construction land and development	**523**	**513**	**-**	1,860	1,812	-
Real estate - 1 - 4 family residential	**15,523**	**15,605**	**-**	17,983	17,766	-
Consumer	**213**	**216**	**-**	404	402	-
Total	**45,694**	**46,012**	**-**	80,473	79,362	-
Total loans collectively evaluated for impairment	**279,548**	**279,471**	**1,982**	262,547	261,077	1,724
Total Loans	**$ 308,021**	**$ 300,514**	**$ 2,012**	$ 298,055	$ 286,123	$ 1,789

NOTE 5 – Loans (cont.)

Impaired loans comprised the following at December 31, 2015 and 2014 (in thousands):

		2015		2014
Nonaccrual loans	**$**	**1,982**	$	3,332
Troubled debt restructurings, not included above		**563**		723
Loans past due 90 days or more and still accruing		**-**		6
Other accruing purchased loans carried net of discount		**18,498**		20,985
Total impaired loans	**$**	**21,043**	$	25,046
Valuation allowance related to impaired loans	**$**	**30**	$	65

The following table presents information related to impaired loans (in thousands):

Years ending December 31,		**2015**		2014		2013
Average investment in impaired loans	**$**	**23,230**	$	31,583	$	26,569
Principal payments on impaired loans	**$**	**15,249**	$	20,785	$	21,246
Interest paid on impaired loans	**$**	**1,601**	$	2,166	$	2,512
Charge-offs related to impaired loans	**$**	**1,792**	$	2,085	$	1,249

The following table presents the recorded investment (unpaid principal less unearned fees, costs, discounts and amounts charged-off) in nonaccrual loans by loan class (in thousands):

December 31,		**2015**		2014
Commercial and industrial	**$**	**-**	$	49
Real estate - commercial		**1,730**		1,215
Real estate - construction land and development		**88**		1,990
Real estate - 1 - 4 family residential		**164**		78
Consumer		**-**		-
Total	**$**	**1,982**	$	3,332

Interest lost on nonaccrual loans was $169,000, $223,000, and $226,000 at December 31, 2015, 2014 and 2013, respectively.

NOTE 5 – Loans (cont.)

The following table presents the recorded investment (unpaid principal less unearned fees, costs, discounts and amounts charged-off) in past due loans by loan class at (in thousands):

December 31, 2015	**30 – 89 Days Past Due**	**Over 90 Days Accruing**	**Nonaccrual**	**Total Past Due**	**Loans not Past Due**	**Total Loans**
Commercial and industrial	**$ 13**	**$ -**	**$ -**	**$ 13**	**$ 25,319**	**$ 25,332**
Real estate - commercial	**-**	**-**	**1,730**	**1,730**	**167,429**	**169,159**
Real estate - construction land and development	**-**	**-**	**88**	**88**	**20,972**	**21,060**
Real estate - 1 - 4 family residential	**-**	**-**	**164**	**164**	**81,188**	**81,352**
Consumer	**-**	**-**	**-**	**-**	**3,611**	**3,611**
Total	**$ 13**	**$ -**	**$ 1,982**	**$ 1,995**	**$ 298,519**	**$ 300,514**

December 31, 2014	30 – 89 Days Past Due	Over 90 Days Accruing	Nonaccrual	Total Past Due	Loans not Past Due	Total Loans
Commercial and industrial	$ 15	$ -	$ 49	$ 64	$ 27,948	$ 28,012
Real estate - commercial	324	6	1,215	1,545	169,637	171,182
Real estate - construction land and development	14	-	1,990	2,004	13,325	15,329
Real estate - 1 - 4 family residential	788	-	78	866	68,696	69,562
Consumer	-	-	-	-	2,038	2,038
Total	$ 1,141	$ 6	$ 3,332	$ 4,479	$ 281,644	$ 286,123

The following table summarizes the carrying balance of TDRs as of December 31, 2015 and 2014 (in thousands):

	2015	2014
Performing	**$ 563**	$ 723
Nonperforming	**88**	2,186
Total troubled debt restructurings	**$ 651**	$ 2,909

NOTE 5 – Loans (cont.)

The following table presents additional information on troubled debt restructurings including the number of loan contracts restructured, the post modification recorded investment, and any available unfunded advances (in thousands):

	Troubled Debt Restructurings		
December 31, 2015	**Number of Contracts**	**Post-Modification Outstanding Recorded Investment**	**Unfunded Commitments Available for Advance**
Commercial and industrial	**-**	**$ -**	**$ -**
Real estate - commercial	**1**	**140**	**-**
Real estate - construction land and development	**1**	**88**	**-**
Real estate - 1 - 4 family residential	**1**	**423**	**-**
Consumer	**-**	**-**	**-**
Total	**3**	**$ 651**	**$ -**

	Troubled Debt Restructurings		
December 31, 2014	Number of Contracts	Post-Modification Outstanding Recorded Investment	Unfunded Commitments Available for Advance
Commercial and industrial	-	$ -	$ -
Real estate - commercial	3	714	-
Real estate - construction land and development	1	1,748	-
Real estate - 1 - 4 family residential	1	447	-
Consumer	-	-	-
Total	5	$ 2,909	$ -

There were no loans modified as troubled debt restructurings during the years ended December 31, 2015 and 2014. Of the loans modified as troubled debt restructurings during the year ended December 31, 2013, there were two commercial real estate loans totaling $281,000 and one residential mortgage in the amount of $456,000, none of which have subsequently had payment defaults.

The Bank has purchased loans, for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. Evidence of credit quality deterioration as of the acquisition date may include information such as past due and nonaccrual status, borrower credit scores, and recent loan to value percentages. Purchased credit impaired loans are initially measured at fair value and carried net of applicable discounts, which encompasses estimated future credit losses expected to be incurred over the life of the loans.

NOTE 5 – Loans (cont.)

The following table presents the carrying amount of purchased credit impaired loans included in loans receivable as of December 31, 2015 and 2014 (in thousands):

December 31,	**2015**	2014
Commercial and industrial	**$ 625**	$ 922
Real estate - commercial	**11,528**	14,162
Real estate - construction land and development	**836**	872
Real estate - 1 - 4 family residential	**5,944**	5,776
Consumer	**15**	17
Total carrying value	**$ 18,948**	$ 21,749
Contractual principal balance	**$ 24,343**	$ 30,418

The following table presents changes to the amount of accretable yield related to those purchased credit impaired loans for the years ended December 31, 2015, 2014 and 2013 (in thousands):

	2015	2014	2013
Balance, January 1	**$ 5,768**	$ 7,635	$ 4,367
Additions for acquired loans	**-**	-	5,300
Accretion	**(1,449)**	(2,661)	(1,028)
Reclassifications from non-accretable difference	**1,099**	2,768	1,147
Disposals	**(891)**	(1,974)	(2,151)
Balance, December 31	**$ 4,527**	$ 5,768	$ 7,635

Internal risk-ratings, or grades, are assigned to each loan based on an analysis of the financial strength, collateral, and other credit attributes underlying each loan. Management analyzes the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the portfolio balances. The Company uses an 8 tier rating system for risk rating loans. Grades 1 through 4 represent pass rated loans of various quality. The following definitions relate to non-pass rated loans:

Special Mention

Loans in this category have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deteriorating prospects for the asset or in the institution's credit position at some future date. Special mention are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. The Bank should not use a special mention classification as a compromise between a pass rated loan and substandard. The risk rating of special mention should not be utilized to identify a loan whose sole weakness is the lack of credit data or documentation exceptions that are not material to repayment. A more appropriate pass rating would generally be considered for these circumstances.

5 – Loans (cont.)

Substandard
A substandard risk rating is reserved for the Bank's loans that are inadequately protected by current net worth, paying capacity of the borrower or pledged collateral. Loans with a substandard risk rating must have a well-defined weakness that jeopardizes the liquidation of the debt in full. These loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Situations that would suggest a risk rating of substandard include the following:

- Cash flow deficiencies exist that may jeopardize future repayment ability;
- The sale of non-collateral assets has become a primary source of repayment;
- The borrower has formally filed for bankruptcy or future repayment is dependent upon a court action.

Doubtful
A loan classified as doubtful has all the weaknesses inherent in a loan classified as substandard, with the additional characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. These are poor quality loans in which neither the collateral, if any, nor the financial condition of the borrower presently ensure collectability in full in a reasonable period of time; in fact, there is permanent impairment in the collateral securing the loan. These loans are in a workout status and have a defined workout strategy.

Loss
Loans classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. The loss risk rating does not mean the loan has absolutely no recovery or salvage value but rather it is not practical or desirable to defer recognition of the loss even though partial recovery may be realized in some future period.

The following table presents the recorded investment (unpaid principal less unearned fees, costs, discounts and amounts charged-off) of loan risk ratings (in thousands):

December 31, 2015	Pass	Special Mention	Substandard	Doubtful	Total Loans
Commercial and industrial	$ 25,332	$ -	$ -	$ -	$ 25,332
Real estate - commercial	166,002	1,001	2,156	-	169,159
Real estate - construction land and development	20,972	-	88	-	21,060
Real estate - 1 - 4 family residential	80,849	339	164	-	81,352
Consumer	3,611	-	-	-	3,611
Total	$ 296,766	$ 1,340	$2,408	$ -	$ 300,514

NOTE 5 – Loans (cont.)

December 31, 2014	Pass	Special Mention	Substandard	Doubtful	Total Loans
Commercial and industrial	$ 27,963	$ -	$ -	$ 49	$ 28,012
Real estate - commercial	169,961	-	1,221	-	171,182
Real estate - construction land and development	13,339	-	1,990	-	15,329
Real estate - 1 - 4 family residential	69,037	447	78	-	69,562
Consumer	2,038	-	-	-	2,038
Total	$ 282,338	$ 447	$ 3,289	$ 49	$ 286,123

As of December 31, 2015 and 2014, $1,381,000 and $687,000, respectively, of the substandard or worse credits were purchased in acquisitions. These credits have a contractual amount payable of $2,584,000 and $1,854,000 as of December 31, 2015 and 2014, respectively.

NOTE 6 – Premises and Equipment

Major classifications of premises and equipment are summarized as follows (in thousands):

December 31,	**2015**	2014
Land and buildings	**$ 14,673**	$ 14,559
Furniture and equipment	**1,742**	1,753
Leasehold improvements	**93**	100
Software	**602**	531
	17,110	16,943
Less accumulated depreciation	**2,933**	2,501
	$ 14,177	$ 14,442

Depreciation expense charged to operations was approximately $560,000, $555,000, and $530,000 during the years ended December 31, 2015, 2014 and 2013, respectively.

NOTE 7 – Goodwill and Intangible Assets

A summary of goodwill and other intangible assets for the years ended December 31, 2015 and 2014 is presented below (in thousands):

December 31,	**2015**	2014
Goodwill	**$ 261**	$ 261
Non-amortizable intangible asset - purchase of bank charter	**1,688**	1,688
Core deposit intangible - finite lived intangible	**2,007**	2,007
Accumulated amortization	**(1,136)**	(806)
	$ 2,820	$ 3,150

NOTE 7 – Goodwill and Intangible Assets (cont.)

The Company has evaluated intangible assets for impairment as required and has concluded they are not impaired as of December 31, 2015.

Amortization expense for finite-lived intangible assets was approximately $329,000, $329,000, and $263,000 for the years ended December 31, 2015, 2014, and 2013, respectively. Estimated aggregate remaining amortization expense by year follows (in thousands):

Years ending December 31,		
2016	$	320
2017		313
2018		166
2019		67
2020		5
	$	871

NOTE 8 – Deposits

Time deposits in excess of $100,000 totaled approximately $41,474,000 and $51,045,000 as of December 31, 2015 and 2014, respectively.

At December 31, 2015, contractual maturities of time deposits are summarized as follows (in thousands):

Years ending December 31,		
2016	$	25,592
2017		14,799
2018		4,654
2019		8,306
2020		3,415
	$	56,766

The Company had no brokered, internet, or other out-of-market time deposits as of December 31, 2015 or 2014. Brokered demand deposits totaled $1,056,000 and $600,000 as of December 31, 2015 and 2014, respectively.

NOTE 9 – Federal Funds Purchased

The Bank has available Federal Funds lines of credit for overnight borrowings totaling $30,500,000 at December 31, 2015 and 2014. The Bank had no balances outstanding December 31, 2015 or 2014.

NOTE 10 – Advances from the Federal Home Loan Bank

The Bank had outstanding advances from the Federal Home Loan Bank (FHLB) of $10,000,000 and $3,000,000 as of December 31, 2015 and 2014, respectively. Loans totaling approximately $36,928,000 were pledged to secure these and future advances at December 31, 2015. No securities were pledged to the FHLB at December 31, 2015. The Bank may obtain advances up to 95% of the pledged amount for mortgage loans, up to 77% of the pledged amount for multifamily real estate loans, up to 89% of the pledged amount for home equity lines of credit and second mortgage loans and up to 70% of commercial real estate loans. The Bank is required to keep all advances fully collateralized with qualifying mortgages, commercial real estate loans and home equity lines or eligible securities. The Bank is also required to purchase a certain amount of stock from the Federal Home Loan Bank, which is calculated in accordance with Federal Home Loan Bank standards.

Advances through the Federal Home Loan Bank consisted of the following as of December 31, 2015 (in thousands):

Maturity Date	Option Date	Rate	Amount Outstanding
Daily Rate Credit	-	.59 fixed	$ 10,000,000

NOTE 11 – Income Taxes

The components of income tax expense (benefit) for the periods ended December 31, 2015, 2014 and 2013 are as follows (in thousands):

Years ended December 31,	**2015**	2014	2013
Current	**$ 1,880**	$ 1,583	$ 2,357
Deferred	**328**	(108)	22
	$ 2,208	$ 1,475	$ 2,379

The difference between income tax expense and the amount computed by applying the statutory federal income tax rate to income before taxes for the year ended December 31, 2015, 2014, and 2013 is insignificant and primarily due to non-taxable interest income and certain non-deductible expenses.

NOTE 11 – Income Taxes (cont.)

The following summarizes the components of net deferred tax assets (in thousands):

December 31,	**2015**	2014
Deferred income tax assets:		
Pre-opening expenses	**$ 317**	$ 365
Allowance for loan losses	**392**	499
Non-accrual loan interest adjustment	**15**	80
Purchase discount accretion difference	**691**	642
Amortization of intangibles	**246**	172
Amortization of investment discounts	**212**	186
Other real estate owned non-deductible expenses	**27**	130
Contingent liability	**562**	814
Other	**82**	88
Unrealized loss on investment securities available-for-sale	**478**	404
Total deferred income tax assets	**3,022**	3,380
Deferred income tax liabilities:		
Depreciation	**(588)**	(534)
Gain on acquisition	**(279)**	(443)
Intangible amortization	**(21)**	(15)
Total deferred tax liabilities	**(888)**	(992)
Net deferred tax assets	**$ 2,134**	$ 2,388

The future tax consequences of the differences between the financial reporting and tax basis of the Company's assets and liabilities resulted in a net deferred tax asset at December 31, 2015 and 2014. The Company and its subsidiaries file a consolidated U.S. federal income tax return and a consolidated Florida return. The federal and Florida filed income tax returns are no longer subject to examination by taxing authorities for years before December 31, 2012.

NOTE 12 – Commitments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. In most cases, the Bank requires collateral or other security to support financial instruments with credit risk.

NOTE 12 – Commitments (cont.)

Commitments to extend credit are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank, upon extension of credit is based on management's credit evaluation. Collateral held varies but may include unimproved and improved real estate, certificates of deposit, or personal property.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to local businesses. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

At December 31, 2015 and 2014, the Bank had unfunded commitments of approximately $50,485,000 and $45,578,000, respectively.

The Bank holds public deposits for local municipalities and agencies in the State of Florida. States have laws requiring banks to collateralize public deposits in excess of FDIC insurance limits. The amount of collateral required varies by state and may also vary by bank within each state depending on that state's risk assessment process. In Florida, the state also requires a cross-guarantee among all banks participating in their public depository program. The state of Florida uses a pooled collateral method, whereby the collateral of a defaulting bank is liquidated to the extent necessary to recover the loss of any public deposits not insured by the FDIC or assumed by an acquiring institution. To the extent the collateral is insufficient, the remaining public deposits balances at the defaulting bank are recovered through an assessment on all other multiple factors, including the amount of public funds held by the Bank and other banks in Florida and the amount of collateral coverage associated with a defaulting bank. The state of Florida requires monthly reporting to monitor each participating bank's deposit and collateral positions. To date, the Bank has not had to pay a claim under this guarantee. Management does not believe this guarantee represents a material exposure to the Company.

The Company has entered into various lease agreements, which are classified as operating leases. Rent expense charged to operations was approximately $145,000, $189,000 and $309,000 for the years ended December 31, 2015, 2014 and 2013, respectively.

Future minimum lease payments are as follows (in thousands):

Years ending December 31,		Expense
2016	$	157
2017		162
2018		167
2019		172
2020		53
Thereafter		1,379
	$	2,090

NOTE 13 – Stock Options and Stock Warrants

The Company has a stock option plan (the Plan) whereby 710,000 authorized shares of common stock were reserved for issuance by the Company upon exercise of stock options granted to officers, directors and employees of the Bank from time to time. Options constitute both incentive stock options and non-qualified stock options. Options awarded to officers, directors and employees vest over varying periods from immediate vesting to periods up to five years. In the event of a change in control, options may become fully vested and exercisable. Any shares subject to an award which expires, or are terminated unexercised, will be available for issuance again. The exercise price per share for nonqualified and incentive stock options shall be the price as determined by a compensation committee, but not less than the fair market value of the common stock on the date of grant. A summary of the Plan activity is as follows:

December 31,	**2015**		2014	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	**299,296**	**$ 10.00**	305,296	$ 10.00
Granted	**30,000**	**9.45**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**1,000**	**10.00**	6,000	10.00
Options outstanding at the end of year	**328,296**	**$ 9.95**	299,296	$ 10.00
Options exercisable at the end of year	**266,896**	**$ 10.00**	256,096	$ 10.00
Weighted average fair value of all options granted during the year		**$ 2.96**		$ -

As part of equity offerings of the Company, 199,215 warrants have been granted by the Company. In July of 2007, 113,700 warrants were issued in consideration for the organizing capital of the Company with an exercise price of $10.00 and a term of ten years. As part of the private placement offering of stock during November of 2010, 1,425,250 shares were purchased at $7.75 per share by lead investors in the offering. In consideration, the Company granted 85,515 warrants immediately exercisable with an exercise price of $10.00 per share and term of ten years.

NOTE 14 – Related Party Transactions

The Bank conducts transactions with directors and executive officers, including companies in which they have a beneficial interest, in the normal course of business. It is the Bank's policy to comply with federal regulations that require that loan and deposit transactions with directors and executive officers be made on substantially the same terms as those prevailing at the time made for comparable loans and deposits to other persons. At December 31, 2015 and 2014, deposits from directors, executive officers and their related interests aggregated approximately $4,542,000 and $463,000, respectively. These deposits were taken in the normal course of business at market interest rates. Total loans with outstanding balances to related parties at December 31, 2015 and 2014 were approximately $402,000 and $470,000, respectively. During 2015, one new loan was made to a related party in the amount of $5,000; advances and repayments totaled $5,000 and $73,000, respectively. During 2014, one new loan was made to a related party in the amount of $495,000 and repayments totaled $25,000.

NOTE 15 – Earnings Per Common Share

The components used to calculate basic and diluted earnings per share for the years ended December 31, 2015, 2014, and 2013 follows (in thousands).

		2015		2014		2013
Basic earnings per share:						
Net income	**$**	**3,608**	$	2,406	$	3,885
Weighted average of common shares outstanding		**5,995**		5,713		5,701
Basic earnings per common share	**$**	**0.60**	$	0.42	$	0.68
Diluted earnings per share:						
Net income	**$**	**3,608**	$	2,406	$	3,884
Weighted average of common shares outstanding		**5,995**		5,713		5,701
Effect of dilutive stock options and warrants		**-**		-		-
Diluted earnings per common share	**$**	**0.60**	$	0.42	$	0.68

For the years ended December 31, 2015, 2014, and 2013, options and warrants to purchase shares of 497,511 498,511, and 504,511, respectively, were outstanding but not included in the computation of earnings per share because they were anti-dilutive.

NOTE 16 – Regulatory Matters

Banking regulations limit the amount of dividends that the Bank may pay without prior approval of the regulatory authorities. These restrictions are based on the level of regulatory classified assets, the prior years' net earnings, and the ratio of equity capital to total assets. The Bank is currently permitted, with regulatory approval, to pay dividends as it is cumulatively profitable.

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under certain adequacy guidelines and the regulatory framework for prompt corrective action, specific capital guidelines that involve quantitative measures of the assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices must be met. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1 capital (as defined) to risk-based assets, Tier 1 (core) capital (as defined) to adjusted total assets, Tier 1 capital to risk-weighted assets (as defined), and of total risk-based capital (as defined) to risk-weighted assets. Common Equity Tier 1 capital consists of retained earnings and common equity which is used to provide a quick reference to gauge capital strength of the institution. Management believes, as of December 31, 2015 and 2014, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2015, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Common Equity Tier 1 risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since notification that management believes would change the status of well-capitalized.

NOTE 16 – Regulatory Matters (cont.)

The table below summarizes the capital ratios as of (in thousands):

December 31, 2015	**Actual**		**For Capital Adequacy Purposes**		**To Be Well Capitalized Under Prompt Corrective Action Provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk weighted assets)						
Consolidated	**$ 59,247**	**18.79%**	**$ 25,228**	**8.00%**	**$ N/A**	
Bank	**$ 55,185**	**17.59%**	**$ 25,097**	**8.00%**	**$ 31,371**	**10.00%**
Common Equity Tier 1 capital (to risk weighted assets)						
Consolidated	**$ 57,235**	**18.15%**	**$ 14,191**	**4.50%**	**$ N/A**	
Bank	**$ 53,174**	**16.95%**	**$ 14,117**	**4.50%**	**$ 20,391**	**6.50%**
Tier 1 capital (to risk weighted assets)						
Consolidated	**$ 57,235**	**18.15%**	**$ 18,921**	**6.00%**	**$ N/A**	
Bank	**$ 53,174**	**16.95%**	**$ 18,822**	**6.00%**	**$ 25,096**	**8.00%**
Tier 1 capital (to average assets)						
Consolidated	**$ 57,235**	**13.61%**	**$ 16,821**	**4.00%**	**$ N/A**	
Bank	**$ 53,174**	**12.72%**	**$ 16,727**	**4.00%**	**$ 20,909**	**5.00%**

December 31, 2014	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)						
Consolidated	$ 54,139	18.23%	$ 23,760	8.00%	$ N/A	
Bank	$ 51,809	17.54%	$ 23,635	8.00%	$ 29,544	10.00%
Common Equity Tier 1 capital (to risk weighted assets)						
Consolidated	$ 52,350	17.63%	$ 13,365	4.50%	$ N/A	
Bank	$ 50,020	16.93%	$ 13,295	4.50%	$ 19,203	6.50%
Tier 1 capital (to risk weighted assets)						
Consolidated	$ 52,350	17.63%	$ 17,820	6.00%	$ N/A	
Bank	$ 50,020	16.93%	$ 17,726	6.00%	$ 23,635	8.00%
Tier 1 capital (to average assets)						
Consolidated	$ 52,350	13.72%	$ 15,264	4.00%	$ N/A	
Bank	$ 50,020	13.16%	$ 15,201	4.00%	$ 19,002	5.00%

NOTE 17 – Fair Value of Financial Instruments

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the accounting standards for fair value measurements and disclosure, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that are supported by little or no market activity for the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

The assumptions used in the estimation of the fair value of financial instruments are detailed below:

Cash and Short-Term Investments

For cash, due from banks, federal funds sold and interest-bearing deposits with other banks, the carrying amount is a reasonable estimate of fair value.

Investment Securities

The fair value pricing is provided by an independent third-party and is based upon identical securities in an active market.

Loans and Commitments to Extend Credit and Standby Letters of Credit

For variable rate loans that re-price frequently with no significant change in credit risk, fair values are based on carrying amounts. The fair values of other loans (for example, fixed rate real estate loans, commercial and state and municipal loans) are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include adjustments regarding future expected loss experience and risk characteristics.

NOTE 17 – Fair Value of Financial Instruments (cont.)

Federal Home Loan Bank (FHLB) Stock

It is not practical to estimate the fair value of FHLB stock, as it is not marketable. The investment in FHLB stock is carried at cost in the accompanying balance sheet and is assumed to approximate fair value.

Interest Receivable and Other Assets

The carrying amounts of these assets approximate their fair values since they are currently due.

Deposit Liabilities

The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company enters into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. These financial instruments are recorded in the financial statements when they become payable by the customer.

The carrying amounts and estimated fair values of the Bank's financial instruments are as follows (in thousands):

	2015		2014	
As of December 31,	**Carrying Amount**	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and cash equivalents	**$ 12,215**	**$ 12,215**	$ 11,423	$ 11,423
Interest bearing deposits in banks	**$ 7,198**	**$ 7,198**	$ 250	$ 250
Securities available-for-sale	**$ 73,162**	**$ 73,162**	$ 63,476	$ 63,476
Securities held-to-maturity	**$ 7,492**	**$ 7,486**	$ 1,076	$ 1,082
Loans and loans held-for-sale	**$ 298,502**	**$ 302,595**	$ 284,334	$ 288,217
Accrued interest receivable	**$ 1,130**	**$ 1,130**	$ 1,153	$ 1,153
Financial liabilities				
Deposits	**$ 353,505**	**$ 354,322**	$ 326,793	$ 327,535
Borrowings	**$ 10,000**	**$ 10,000**	$ 3,000	$ 3,000
Accrued interest payable	**$ 95**	**$ 95**	$ 180	$ 180
Off-balance sheet financial instruments				
Commitments to extend credit	**$ -**	**$ 50,485**	$ -	$ 45,578

NOTE 17 – Fair Value of Financial Instruments (cont.)

Assets measured at fair value on a recurring basis are set forth in the following as to the position in the fair value hierarchy (in thousands):

December 31, 2015	**Total Fair Value**	**Quoted Market Prices in an Active Market (Level 1)**	**Internal Models with Significant Observable Market Parameters (Level 2)**	**Internal Models with Significant Unobservable Market Parameters (Level 3)**
Securities available-for-sale	**$ 73,162**	**$ -**	**$ 73,162**	**$ -**
December 31, 2014				
Securities available-for-sale	$ 63,476	$ -	$ 63,476	$ -

Certain assets and liabilities are measured at fair value on a nonrecurring basis. These instruments are not measured at fair value on an ongoing basis, but subject to fair value in certain circumstances, such as when there is evidence of impairment that may require write-downs. The write-downs for the Company's more significant assets measured on a nonrecurring basis are based on the lower of amortized cost or estimated fair value.

Impaired loans and other real estate owned (OREO) are evaluated and valued at the time the loan or OREO is identified as impaired, at the lower of cost or market value. Market value is measured based on the value of the collateral securing these loans and is classified at a Level 3 in the fair value hierarchy. Collateral for impaired loans may be real estate and/or business assets, including equipment, inventory and/or accounts receivable. Its fair value is generally determined based on real estate appraisals or other independent evaluations by qualified professionals. Impaired loans and OREO are reviewed and evaluated periodically for additional impairment and adjusted accordingly.

NOTE 17 – Fair Value of Financial Instruments (cont.)

The table below presents the Company's outstanding assets for which a nonrecurring change in fair value was recorded during the years ended December 31, 2015 and 2014, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands).

December 31, 2015	**Total Fair Value**	**Quoted Market Prices in an Active Market (Level 1)**	**Internal Models with Significant Observable Market Parameters (Level 2)**	**Internal Models with Significant Unobservable Market Parameters (Level 3)**
Impaired loans	**$ 21,013**	**$ -**	**$ -**	**$ 21,013**
OREO	**658**	**-**	**-**	**658**
	$ 21,671	**$ -**	**$ -**	**$ 21,671**
December 31, 2014				
Impaired loans	$ 24,981	$ -	$ -	$ 24,981
OREO	1,612	-	-	1,612
	$ 26,593	$ -	$ -	$ 26,593

NOTE 18 – Parent Company Financial Information

The condensed, parent-only statements of condition as of December 31, 2015 and 2014 for FirstAtlantic Financial Holdings, Inc. follow (in thousands):

December 31,		**2015**		2014
ASSETS				
Cash in subsidiary bank	**$**	**2,420**	$	768
Investment in subsidiary, at equity		**53,664**		52,496
Deferred tax asset		**880**		1,179
Other assets		**761**		383
	$	**57,725**	$	54,826
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity				
Common stock	**$**	**60**	$	60
Additional paid-in capital		**52,678**		52,668
Retained earnings		**5,782**		2,773
Accumulated other comprehensive loss, net of tax		**(795)**		(675)
		57,725		54,826
	$	**57,725**	$	54,826

The condensed, parent-only statements of income for the years ended December 31, 2015, 2014, and 2013 for FirstAtlantic Financial Holdings, Inc. follow (in thousands):

Years ended December 31,		**2015**		2014		2013
Income						
Interest from subsidiary bank	**$**	**5**	$	4	$	11
Dividend from subsidiary bank		**2,436**		-		-
		2,441		4		11
Expenses						
CenterBank acquisition settlement		**-**		1,612		600
Other expenses		**176**		175		96
		176		1,787		696
Income tax benefit		**65**		412		260
Income (loss) before equity in undistributed income of subsidiary bank		**2,330**		(1,371)		(425)
Equity in undistributed earnings of subsidiary		**1,278**		3,777		4,310
Net income	**$**	**3,608**	$	2,406	$	3,885

NOTE 18 – Parent Company Financial Information (cont.)

The condensed, parent-only statements of cash flows for the years ended December 31, 2015, 2014, and 2013 for FirstAtlantic Financial Holdings, Inc. follow (in thousands):

Years ended December 31,	**2015**	2014	2013
Cash flows from operating activities			
Net income	**$ 3,608**	$ 2,406	$ 3,885
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in undistributed earnings of subsidiary	**(1,278)**	(3,777)	(4,310)
CenterBank acquisition settlement expense	**-**	1,612	600
Changes in:			
Change deferred taxes	**299**	(50)	(845)
Change other assets	**(378)**	(186)	531
Cash provided by (used in) operating activities	**2,251**	5	(139)
Cash flows used for investing activities			
Capital contributed to the Bank	**-**	-	(3,000)
Cash flows used for financing activities			
Dividends paid on common stock	**(599)**	-	-
Net change in cash and cash equivalents	**1,652**	5	(3,139)
Cash and cash equivalents, beginning of year	**768**	763	3,902
Cash and cash equivalents, end of year	**$ 2,420**	$ 768	$ 763
Supplemental disclosure of cash flow information			
Non-cash financing activities			
Issuance of stock in CenterBank settlement	**$ -**	$ 2,812	$ -

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