

October 21, 2016

Dear FirstAtlantic Shareholders,

I am pleased to provide you with a report of FirstAtlantic's third quarter results. A summary of the most recent financial results is attached for your review. The complete financial statements are available through www.otcmartets.com under our symbol FFHD.

EARNINGS

Net income for the third quarter was \$898,000 or \$.15 per share, a 6% increase from the same quarter in 2015. Our strong asset quality and nominal loan charge-offs eliminated the need for loan loss provision expense during the quarter, a key contributor to the increase in net income. The broad revenue and expense categories were relatively stable for the quarter. However, we did achieve meaningful improvements in core earnings which will be discussed below. For the nine months ending September 30, 2016, net income remained consistent at \$2.7 million or \$.45 per share.

Core earnings, which exclude non-recurring items and loan loss provision expense, grew by 15% in both the third quarter and first nine months of 2016 compared to the same periods of 2015. The growth in core earnings resulted from improvements in the operating efficiencies of FirstAtlantic. For example, for the nine months ending September 30, 2016, core net interest income increased by \$878,000 as average loan balances have grown by approximately \$25 million. During this same time period, core non-interest expenses have increased by a much lesser amount of \$304,000. A core earnings table is attached for your review and to provide a more complete comparison of quarterly and year to date results.

LOANS and ASSET QUALITY

While our loan portfolio has grown by 7% over the past year, we experienced an unusual decline in loan balances of \$3.5 million from June 30 to September 30, caused by two unrelated events. First, three of our customers sold their businesses during the quarter, which resulted in unanticipated loan payoffs of \$5 million. Secondly, two of our loan officers received exceptional promotional opportunities at other companies. The result is that we missed some production caused by their departures as we devoted considerable effort to reaffirming our relationships with their former customers to protect our book of business. A positive outcome of this temporary distraction is that we have streamlined the organizational structure of our commercial banking function to provide for more efficiency and effectiveness. We have also hired two lenders with backgrounds in banking commercial businesses.

The bank's credit quality remains very strong, with non-performing assets totaling only .35% of assets. As a result, net loan charge-offs have been nominal this year, an annualized rate of only .06% of loans, and the past due rate on accruing loans more than 30 days past due was a very low .06% at quarter-end.

DEPOSITS

Although average total deposits were flat compared to the second quarter, average non-interest bearing deposits grew slightly to \$101 million. Compared to one year ago, excluding a \$25 million temporary deposit as of September 30, 2015, interest bearing deposit balances have declined by 6% to \$255 million as we have consciously worked to manage our cost of funds in the face of the Federal Reserve increasing short term rates late last year. Coupled with non-interest bearing deposits increasing by \$6 million from one year ago, we have lowered our cost of interest bearing deposits by .04% to .54%.

EQUITY

Shareholders' Equity increased during the quarter by \$571,000 to \$61 million. With tangible common equity increasing by \$649,000 to \$58.4 million, FirstAtlantic's ratio of tangible common equity to assets remains very strong at 13.4%, providing continued strong support for both our organic growth and acquisition strategies. As of September 30th, book value per share was \$10.16, with tangible book value per share reported at \$9.73.

Early in the third quarter, FirstAtlantic paid a cash dividend to shareholders of \$.03 per share, and the board of directors declared another quarterly dividend to common shareholders of \$.03 per share payable on October 4th to shareholders of record as of September 14th.

JACKSONVILLE AREA MARKET

You are probably aware that Jacksonville and St. Augustine were in the news earlier this month as a result of Hurricane Matthew. While there are individuals and businesses still recovering from the effects of the hurricane, overall, our area endured the storm with much less damage than was anticipated. We are fortunate that none of our banking facilities were damaged and all of our teammates are safe.

While not garnering the same level of attention as a hurricane, the Jacksonville area economy is expected to benefit from several significant corporate expansions. Some of the more significant announcements made this year include:

- Amazon is building a \$200 million distribution center that will employ 1,500.
- MD Anderson, in partnership with Baptist Health is building a \$150 million cancer treatment center, which will increase employment levels of medical professionals.
- Mayo Clinic is constructing a \$100 million complex cancer and neurology care center on its campus in addition to a 75,000 square foot lung restoration center, in total expecting to increase employment by more than 300.
- Ernst and Young announced the addition of 450 jobs to its Jacksonville office.
- Fidelity National Information Services, one of the Fortune 500 companies headquartered here, announced the planned addition of 250 jobs.
- Mercedes-Benz announced the relocation of an engineering services division to Jacksonville, expected to add 50 jobs.
- Citibank announced an addition of 800 jobs to their Jacksonville consumer banking and credit service operations.
- Deutsche Bank announced the establishment of an international agency branch, expecting to add 350 jobs.

These business and employment announcements by well-known organizations should provide momentum to fuel the continued growth of our local economy. We are well positioned to take advantage of the expanding Jacksonville economy.

Thank you for your continued support of FirstAtlantic. It is very much appreciated.

Sincerely,



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

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

	September 30, 2016	December 31, 2015	September 30, 2015
Assets:			
Cash and due from banks	\$ 17,409	12,215	58,983
Federal funds sold	7	312	422
Total cash and cash equivalents:	17,416	12,527	59,405
Interest bearing deposits in banks	7,222	7,198	6,695
Investment securities available for sale, at fair value	73,688	73,162	63,324
Investment securities held to maturity; (fair value of \$7,354, \$7,486, and \$2,643)	7,234	7,492	7,029
Loans, net of unearned income	310,996	300,514	289,900
Less allowance for loan losses	2,190	2,012	2,173
Loans, net	308,806	298,502	287,727
Premises and equipment, net	13,883	14,177	14,241
Investment in Federal Home Loan Bank stock	1,313	770	345
Accrued interest receivable	1,169	1,130	992
Goodwill and intangible assets, net	2,579	2,820	2,903
Other real estate owned	444	658	704
Deferred tax assets	1,732	2,134	2,800
Other assets	1,442	1,233	931
Total assets	\$ 436,928	421,803	447,096
Liabilities and shareholders' equity			
Deposits:			
Non interest-bearing demand	\$ 96,619	89,432	90,665
Interest-bearing demand	54,489	54,448	65,825
Savings and money market	137,789	152,859	171,180
Time deposits	63,465	56,766	58,968
Total deposits	352,362	353,505	386,638
Advances from Federal Home Loan Bank	22,000	10,000	-
Accrued interest payable	99	95	102
Income taxes payable	-	-	559
Other liabilities	1,513	478	2,443
Total liabilities	375,974	364,078	389,742
Shareholders' equity			
Preferred stock, \$.01 par value; 5,000,000 shares authorized; no shares issued and outstanding	-	-	-
Common stock, \$.01 par value; 20,000,000 shares authorized; 5,997,192 shares issued and outstanding at September 30, 2016 5,994,955 shares issued and outstanding at December 31, 2015 5,994,955 shares issued and outstanding at September 30, 2015	60	60	60
Additional paid in capital	52,758	52,678	52,675
Retained earnings	8,103	5,782	4,868
Accumulated other comprehensive income, net of tax	33	(795)	(249)
Total shareholders' equity	60,954	57,725	57,354
Total liabilities and shareholders' equity	\$ 436,928	421,803	447,096

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

	Nine months ended September 30,		Three months ended September 30,	
	2016	2015	2016	2015
Interest income:				
Loans, including fees	\$ 12,314	\$ 12,170	\$ 4,156	\$ 4,169
Investment securities	1,130	887	328	303
Other interest and investment income	113	76	49	37
Total interest income	13,557	13,133	4,533	4,509
Interest expense:				
Deposits	1,033	1,181	347	395
Federal Home Loan Bank advances	48	5	19	-
Total interest expense	1,081	1,186	366	395
Net interest income	12,476	11,947	4,167	4,114
Provision for loan losses	277	501	-	235
Net interest income after provision for loan losses	12,199	11,446	4,167	3,879
Other operating income:				
Service fees on deposit accounts	505	475	157	171
Gain on sale of loans	-	779	-	89
Gain on sale of securities available for sale	373	29	-	-
Gain/(loss) on sale of other real estate	(7)	47	-	35
Other operating income	487	499	165	169
Total non-interest income	1,358	1,829	322	464
Other operating expense				
Salaries and employee benefits	5,563	5,237	1,853	1,714
Occupancy and equipment	1,135	1,087	372	377
Ammortization of intangible assets	242	247	78	82
Data processing and communications	735	733	238	256
Expenses and valuation adjustments on other real estate	23	111	8	18
FDIC insurance	170	191	55	65
Legal, accounting and audit fees	303	332	104	136
Other operating	1,063	991	334	331
Total non-interest expense	9,234	8,929	3,042	2,979
Net income before taxes	4,323	4,346	1,447	1,364
Income tax expense	(1,642)	(1,650)	(549)	(517)
Net income	<u>\$ 2,681</u>	<u>\$ 2,696</u>	<u>\$ 898</u>	<u>\$ 847</u>
Basic earnings per common share	\$ 0.45	\$ 0.45	\$ 0.15	\$ 0.14
Basic average common shares outstanding	5,995,963	5,994,955	5,996,750	5,994,955
Diluted earnings per common share	\$ 0.45	\$ 0.45	\$ 0.15	\$ 0.14
Diluted weighted average common shares outstanding	6,002,776	5,994,955	6,016,449	5,994,955

FirstAtlantic Financial Holdings, Inc. and Subsidiary (Consolidated)

Financial Highlights (unaudited)

(dollars in thousands except per share data)

	Three months ended:					Nine months ended,	
	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016
Per common share							
Basic earnings per common share	\$ 0.14	0.15	0.12	0.17	0.15	\$ 0.45	0.15
Diluted earnings per common share	\$ 0.14	0.15	0.12	0.17	0.15	\$ 0.45	-
Cash dividends paid to shareholders	\$ -	-	-	0.03	0.03	\$ 0.10	0.06
Basic average common shares outstanding	5,994,955	5,994,955	5,994,955	5,994,955	5,996,750	5,994,955	5,995,963
Diluted weighted average common shares outstanding	5,994,955	5,995,799	5,995,620	6,001,842	6,016,449	5,994,955	6,002,776
Income highlights							
Interest income	\$ 4,509	4,466	4,480	4,544	4,533	\$ 13,132	13,557
Interest expense	\$ 395	358	356	360	366	\$ 1,186	1,081
Net interest income	\$ 4,114	4,108	4,124	4,185	4,167	\$ 11,947	12,476
Provision for loan losses	\$ 235	-	155	122	-	\$ 501	277
Non-interest income	\$ 464	349	348	688	322	\$ 1,829	1,358
Non-interest expense	\$ 2,979	2,985	3,127	3,065	3,042	\$ 8,929	9,234
Net income before taxes	\$ 1,365	1,471	1,190	1,686	1,447	\$ 4,346	4,323
Income tax expense	\$ 518	558	453	640	549	\$ 1,650	1,642
Net income	\$ 847	913	737	1,046	898	\$ 2,696	2,681
Key performance ratios							
Return on average assets	0.79%	0.86%	0.69%	0.98%	0.83%	0.89%	0.83%
Return on average shareholders' equity	5.92%	6.22%	5.04%	7.03%	5.89%	6.42%	5.99%
Efficiency ratio	65.03%	65.28%	68.08%	66.21%	66.01%	67.20%	66.77%
Earning asset yield	4.47%	4.45%	4.45%	4.48%	4.40%	4.61%	4.45%
Earning asset yield (less purchased loan accretion)	3.90%	4.09%	4.18%	4.20%	4.16%	4.09%	4.18%
Cost of interest bearing liabilities	0.58%	0.53%	0.52%	0.54%	0.54%	0.62%	0.53%
Net interest spread	3.89%	3.92%	3.93%	3.94%	3.86%	3.99%	3.92%
Cost of funds	0.43%	0.39%	0.39%	0.39%	0.39%	0.46%	0.39%
Net interest margin	4.08%	4.09%	4.10%	4.13%	4.05%	4.19%	4.09%
Net interest margin (less purchased loan accretion)	3.51%	3.73%	3.83%	3.85%	3.80%	3.67%	3.83%
Net charge-offs (recoveries)	\$ (155)	160	(300)	106	14	\$ 118	99
Net charge-offs (recoveries) / average loans	(0.21%)	0.22%	(0.40%)	0.14%	0.02%	0.06%	0.04%

	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016
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Consolidated Balance Sheet Data

Per common share

Book Value	\$ 9.57	9.63	9.92	10.07	10.16
Tangible book value	\$ 9.08	9.16	9.46	9.63	9.73

Capital

Tier 1 Leverage ratio	13.35%	13.63%	13.53%	13.64%	13.80%
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Asset quality data

Non-performing loans	\$ 2,932	1,982	1,422	925	1,077
Non-performing assets (excluding TDR's)	\$ 3,636	2,640	2,080	1,381	1,521
Non-performing assets / total assets	0.81%	0.63%	0.49%	0.32%	0.35%
Non-performing assets / total loans and OREO	1.25%	0.88%	0.69%	0.44%	0.49%
Allowance for loan losses / nonperforming loans	74.10%	101.50%	153.90%	238.27%	203.26%

Key balance sheet highlights

Total Assets	\$ 447,096	421,803	426,333	431,602	436,929
Loan to deposit ratio	74.98%	85.01%	86.23%	88.10%	88.26%
Loans: Ending balance	\$ 289,900	300,514	303,558	314,152	310,996
Loans: Quarter to date average	\$ 286,416	290,515	301,302	306,599	311,788
Non-interest bearing deposits: Ending balance	\$ 90,665	89,432	93,607	105,396	96,619
Non-interest bearing deposits: Quarter to date average	\$ 92,284	92,032	92,294	99,905	101,120
Non-interest bearing deposits / total deposits	23.45%	25.30%	26.59%	29.56%	27.42%
Non-maturity (core) deposits: Ending balance	\$ 327,671	296,738	293,887	296,348	288,897
Non-maturity (core) deposits: Quarter to date average	\$ 303,472	301,850	296,477	297,899	294,738
Non-maturity (core) deposits / total deposits	84.75%	83.94%	83.48%	83.11%	81.99%
Total deposits: Ending balance	\$ 386,639	\$ 353,505	\$ 352,039	\$ 356,585	\$ 352,362
Total deposits: Quarter to date average	\$ 364,216	\$ 359,900	\$ 353,647	\$ 356,447	\$ 356,916

FirstAtlantic Financial Holdings, Inc.
Core Earnings Analysis (Tax Effected)
(unaudited)

Nine months ended
September 30,

<i>(Dollars in thousands except per share data)</i>	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2015	2016
Interest income as stated	4,509	4,466	4,480	4,544	4,533	\$ 13,132	\$ 13,557
Less: Accelerated accretion of acquired loans	(263)	(121)	-	(60)	(9)	(418)	(69)
Core interest income	4,246	4,345	4,480	4,484	4,524	12,714	13,488
Interest expense as stated	395	358	356	360	366	1,186	1,081
Net interest income as stated	4,114	4,108	4,124	4,185	4,167	11,947	12,476
Core net interest income	3,851	3,987	4,124	4,125	4,158	11,529	12,407
Provision for loan losses	235	-	155	122	-	501	277
NII after provision for loan losses as stated	3,879	4,108	3,969	4,063	4,167	11,445	12,199
Non-interest income as stated	464	349	348	688	322	1,829	1,358
Gain on sales of securities available for sale	-	-	-	(373)	-	(29)	(373)
Gain on sales of portfolio loans	(89)	-	-	-	-	(779)	-
Net (gain) or loss on sale of OREO & valuations	(35)	(9)	-	7	-	(47)	7
Core Non-Interest Income	339	340	348	322	322	973	992
Non interest expense as stated	2,979	2,985	3,127	3,065	3,042	8,929	9,233
Less: Amortization expense on intangible assets	(82)	(82)	(82)	(81)	(78)	(247)	(242)
Expense of disposition of premises and equipme	-	(2)	-	-	-	-	-
Impairment of Other Real Estate	-	(22)	-	-	-	(50)	-
Other non-recurring expenses	(34)	-	(31)	(63)	(14)	(51)	(108)
Core Noninterest Expense	2,862	2,879	3,014	2,921	2,949	8,580	8,884
Net Income before taxes as stated	1,365	1,471	1,190	1,686	1,447	4,346	4,324
Net non-core interest items from above	(263)	(121)	-	(60)	(9)	(418)	(69)
Provision for loan losses from above	235	-	155	122	-	501	277
Non-core non-interest income from above	(125)	(9)	-	(366)	-	(856)	(366)
Non-core non-interest expense from above	116	106	113	144	92	348	350
Core Pre-tax , Pre-provision Net Income	1,329	1,447	1,459	1,526	1,531	3,921	4,515
Income tax expense as stated	518	558	453	640	549	1,650	1,642
Core Income tax expense	504	549	553	579	580	1,487	1,712
Net Income as stated	847	913	738	1,046	898	2,696	2,681
Core Pre-provision Net Income	825	898	906	947	950	\$ 2,434	\$ 2,802
Key Core pre-provision Income Performance Ratios (Tax Effected)							
Basic earnings per share	\$ 0.14	\$ 0.15	\$ 0.15	\$ 0.16	\$ 0.16	\$ 0.41	\$ 0.47
Diluted earnings per share	\$ 0.14	\$ 0.15	\$ 0.15	\$ 0.16	\$ 0.16	\$ 0.41	\$ 0.47
Return on average assets	0.77%	0.85%	0.85%	0.88%	0.88%	0.76%	0.93%
Return on average equity	5.76%	6.12%	6.18%	6.36%	6.23%	5.46%	6.67%
Yield on earning assets	4.21%	4.33%	4.45%	4.42%	4.39%	4.18%	4.73%
Cost of interest bearing liabilities	0.58%	0.53%	0.52%	0.54%	0.54%	0.59%	0.56%
Cost of funds	0.43%	0.39%	0.39%	0.39%	0.39%	0.43%	0.42%
Net interest margin	3.82%	3.97%	4.10%	4.07%	4.04%	3.60%	4.35%
Non interest income / average assets	0.32%	0.32%	0.33%	0.30%	0.30%	0.32%	0.33%
Non interest expense / average assets	2.68%	2.71%	2.84%	2.73%	2.72%	2.68%	2.94%
Efficiency ratio	68.30%	66.55%	67.39%	65.69%	65.83%	68.63%	66.30%