



AUDITED CONSOLIDATED FINANCIAL
STATEMENTS

Atlantic Capital Bancshares, Inc. and Subsidiary
For the Years Ended December 31, 2008 and 2007,
and the Period From May 19, 2006 (Inception) to
December 31, 2006

With Report of Independent Auditors

 **ERNST & YOUNG**

Atlantic Capital Bancshares, Inc. and Subsidiary

Audited Consolidated Financial Statements

Years Ended December 31, 2008 and 2007
and the Period From May 19, 2006 (Inception) to December 31, 2006

Contents

Report of Independent Auditors.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Stockholders' Equity and Comprehensive Loss	4
Consolidated Statements of Cash Flows.....	5
Notes to Consolidated Financial Statements.....	6

Report of Independent Auditors

The Board of Directors and Shareholders
Atlantic Capital Bancshares, Inc.

We have audited the accompanying consolidated balance sheets of Atlantic Capital Bancshares, Inc. and its subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended and the period May 19, 2006 (inception) to December 31, 2006. These financial statements are the responsibility of the Company's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atlantic Capital Bancshares, Inc. and its subsidiary at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended and the period May 19, 2006 (inception) to December 31, 2006 in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 12, 2009

Atlantic Capital Bancshares, Inc. and Subsidiary

Consolidated Balance Sheets

	December 31	
	2008	2007
	<i>(In Thousands, Except Share Data)</i>	
Assets		
Cash and cash equivalents	\$ 3,265	\$ 5,637
Interest-bearing deposits in other banks	34,504	10,000
Federal funds sold	18	38,852
Investment securities available-for-sale	71,839	19,026
Stock in Federal Home Loan Bank, at cost	2,235	214
Loans receivable, net of allowance for loan losses of \$5,605 and \$1,459, respectively	394,780	89,752
Premises and equipment, net	4,276	4,768
Other assets	2,413	1,204
Total assets	\$ 513,330	\$ 169,453
Liabilities and stockholders' equity		
Deposits:		
Noninterest-bearing demand deposits	\$ 25,580	\$ 2,618
Interest-bearing checking	7,095	2,770
Savings	16	2
Money market	171,220	47,393
Time	32,921	142
Brokered deposits	108,950	—
Total deposits	345,782	52,925
Advances from Federal Home Loan Bank	42,936	—
Federal funds purchased and securities sold under agreements to repurchase	15,009	—
Other borrowings	37	—
Accrued expenses and other liabilities	3,600	3,555
Total liabilities	407,364	56,480
Stockholders' equity:		
Common stock, \$1 par value; 100,000,000 shares authorized, 12,533,371 shares issued and outstanding	12,533	12,533
Additional paid-in capital	112,252	110,705
Retained deficit	(18,399)	(10,351)
Accumulated other comprehensive (loss) income	(419)	87
Treasury stock, 100 shares at cost	(1)	(1)
Total stockholders' equity	105,966	112,973
Total liabilities and stockholders' equity	\$ 513,330	\$ 169,453

See accompanying notes.

Atlantic Capital Bancshares, Inc. and Subsidiary

Consolidated Statements of Operations

	Year Ended December 31		Period From May 19, 2006 (Inception) to December 31,
	2008	2007	2006
	<i>(In Thousands, Except Share Data)</i>		
Interest income:			
Interest on loans	\$ 12,538	\$ 1,350	\$ —
Interest on investment securities available-for-sale	2,040	261	—
Interest and dividends on other interest-earning assets	591	3,117	—
Total interest income	15,169	4,728	—
Interest expense:			
Interest on deposits	4,066	591	—
Interest on Federal Home Loan Bank advances	818	—	—
Interest on federal funds sold and securities sold under agreements to repurchase	97	—	—
Interest on other borrowings	16	21	—
Total interest expense	4,997	612	—
Net interest income before provision for loan losses	10,172	4,116	—
Provision for loan losses	4,146	1,459	—
Net interest income after provision for loan losses	6,026	2,657	—
Noninterest income:			
Service charges	104	9	—
Other noninterest income	106	512	—
Total noninterest income	210	521	—
Noninterest expense:			
Salaries and employee benefits	10,619	8,517	977
Occupancy	1,500	1,064	16
Equipment and software	470	290	10
Professional services	450	931	837
Postage, printing, and supplies	81	115	13
Communications and data processing	425	211	10
Other noninterest expense	739	406	132
Total noninterest expense	14,284	11,534	1,995
Loss before provision for income taxes	(8,048)	(8,356)	(1,995)
Provision for income taxes	—	—	—
Net loss	\$ (8,048)	\$ (8,356)	\$ (1,995)
Loss per common share-basic and diluted	\$ (.64)	\$ (.67)	\$ —

See accompanying notes.

Atlantic Capital Bancshares, Inc. and Subsidiary

Consolidated Statements of Stockholders' Equity and Comprehensive Loss

Years Ended December 31, 2008 and 2007, and the period from May 19, 2006 (Inception) to December 31, 2006

	Common Stock		Additional	Members'	Retained	Accumulated	Treasury	Total
	Shares	Amount	Paid-in	Capital	Deficit	Other	Stock	
			Capital			Comprehensive		
						Loss		
	<i>(In Thousands, Except Share Data)</i>							
Balance at May 19, 2006 (Inception)	–	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	–
Comprehensive loss:								
Net loss	–	–	–	–	(1,995)	–	–	(1,995)
Total comprehensive loss								(1,995)
Contributions of members' capital	–	–	–	2,223	–	–	–	2,223
Issuance of common stock	100	–	1	–	–	–	–	1
Balance at December 31, 2006	100	–	1	2,223	(1,995)	–	–	229
Comprehensive loss:								
Net loss	–	–	–	–	(8,356)	–	–	(8,356)
Change in unrealized gains on investment securities available-for-sale, net	–	–	–	–	–	87	–	87
Total comprehensive loss								(8,269)
Issuance of common stock, net of costs	12,533,371	12,533	109,690	–	–	–	–	122,223
Acquisition of treasury stock	–	–	–	–	–	–	(1)	(1)
Contributions of members' capital	–	–	–	1,278	–	–	–	1,278
Distributions of members' capital	–	–	–	(3,501)	–	–	–	(3,501)
Stock-based compensation	–	–	1,014	–	–	–	–	1,014
Balance at December 31, 2007	12,533,471	12,533	110,705	–	(10,351)	87	(1)	112,973
Comprehensive loss:								
Net loss	–	–	–	–	(8,048)	–	–	(8,048)
Change in unrealized losses on investment securities available-for-sale, net	–	–	–	–	–	(506)	–	(506)
Total comprehensive loss								(8,554)
Stock-based compensation	–	–	1,547	–	–	–	–	1,547
Balance at December 31, 2008	12,533,471	\$ 12,533	\$ 112,252	\$ –	\$ (18,399)	\$ (419)	\$ (1)	\$ 105,966

Atlantic Capital Bancshares, Inc. and Subsidiary

Statements of Cash Flows

	Year Ended December 31		Period From May 19, 2006 (Inception) to December 31, 2006
	2008	2007	2006
	<i>(In Thousands)</i>		
Operating activities			
Net loss	\$ (8,048)	\$ (8,356)	\$ (1,995)
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation, amortization, and accretion	1,459	478	6
Provision for loan losses	4,146	1,459	-
Stock-based compensation	1,547	1,014	-
Deferred income taxes	214	(214)	-
Loss on disposals of premises and equipment	10	6	-
Changes in assets and liabilities:			
Net increase in other assets	(1,100)	(537)	(453)
Net increase in accrued expenses and other liabilities	45	2,718	782
Net cash used in operating activities	(1,727)	(3,432)	(1,660)
Investing activities			
Purchases of investment securities available-for-sale	(59,663)	(19,210)	-
Proceeds from repayments of investment securities available-for-sale	4,020	335	-
Proceeds from calls of investment securities available-for-sale	2,000	-	-
Loan originations, net of repayments	(309,842)	(91,275)	-
Purchases of Federal Home Loan Bank stock	(2,021)	(214)	-
Purchases of premises and equipment, net	(308)	(4,663)	(540)
Net cash used in investing activities	(365,814)	(115,027)	(540)
Financing activities			
Net increase in deposits	292,857	52,925	-
Proceeds from Federal Home Loan Bank advances	43,025	-	-
Repayments of Federal Home Loan Bank advances	(89)	-	-
Net change in federal funds purchased and repurchase agreements	15,009	-	-
Net change in other borrowings	37	-	-
Net proceeds from issuance of common stock	-	122,223	1
Contributions of members' capital	-	1,278	2,223
Distributions of members' capital	-	(3,501)	-
Acquisition of treasury stock	-	(1)	-
Net cash provided by financing activities	350,839	172,924	2,224
Net (decrease) increase in cash and cash equivalents	(16,702)	54,465	24
Cash and cash equivalents at beginning of year	54,489	24	-
Cash and cash equivalents at end of year	\$ 37,787	\$ 54,489	\$ 24
Supplemental disclosure of cash paid during year for:			
Interest	\$ 3,708	\$ 541	\$ -

See accompanying notes.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2008

1. Summary of Significant Accounting Policies

Business and Principles of Consolidation

Atlantic Capital Bancshares, Inc. (Atlantic Capital or the Company), is a bank holding company headquartered in Atlanta, Georgia. The consolidated financial statements include the accounts of Atlantic Capital and its wholly-owned subsidiary Atlantic Capital Bank, a Georgia bank (the Bank). The Bank provides commercial bank services, focusing primarily on emerging growth and middle market corporations, commercial real estate developers and investors, and the principals of these companies, as well, as other private clients.

On May 19, 2006, Atlantic Capital Organizing Group, LLC (the Organizing Group) was formed for the purpose of forming Atlantic Capital and the Bank. The Organizing Group was funded primarily by equity contributions from BankCap Partners Fund I, L.P. (BankCap Partners Fund) totaling \$3.5 million and a \$3.5 million short-term credit facility.

On October 2, 2006, Atlantic Capital was incorporated and issued 100 shares of common stock, at a price of \$10.00 per share, to the Organizing Group. Subsequently, in 2007, Atlantic Capital, in a private placement of common stock and warrants, issued 12,533,371 shares of common stock at a price of \$10.00 per share. For additional information on the common stock and warrants, see Note 8 and Note 9.

Pursuant to an agreement dated May 14, 2007, the Organizing Group conveyed to the Bank all interest in its assets. Additionally, on May 14, 2007, the Organizing Group entered into an Assignment and Assumption Agreement with Atlantic Capital and the Bank. Atlantic Capital agreed to assume and pay certain expenses related to the 2007 common stock offering and the Bank assumed all other Organizing Group liabilities. Due to the nature of these transactions between entities under common control, the Bank and the Organizing Group combined in a manner similar to a pooling-of-interest in accordance with APB Opinion No. 16, *Business Combinations*. Accordingly, the 2007 and 2006 consolidated financial statements include the Organizing Group. The Bank commenced operations on May 15, 2007.

All significant intercompany balances and transactions have been eliminated in consolidation.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Basis of Financial Statement Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, commercial paper, interest-bearing deposits in other banks and federal funds sold. Generally, cash and cash equivalents have maturities of three months or less and, accordingly, the carrying amount of these instruments is deemed to be a reasonable estimate of fair value.

Investment Securities Available-For-Sale

Investment securities designated as available-for-sale are stated at fair value. Unrealized gains and losses, net of the related tax effect, are excluded from earnings and are reported as a separate component of stockholders' equity. Investment securities available-for-sale include securities that may be sold in response to changes in interest rates, changes in prepayment risk, liquidity needs, or for other purposes.

A decline in the market value of any available-for-sale securities, below cost, that is deemed other than temporary is charged to earnings and establishes a new cost basis for the security. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment of the yield. Realized gains and losses are included in earnings and the cost of securities sold is derived using the specific identification method.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Loans

Loans are stated at the amount of unpaid principal, net of the allowance for loan losses, deferred income (net of deferred costs) and other unearned income. Interest income on loans is recognized using the effective yield method on the daily balances of the principal amount outstanding. Loan origination fees, net of direct loan origination costs, and commitment fees, are deferred and amortized as an adjustment to yield over the life of the loan, or over the commitment period, as applicable.

A loan is considered to be 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. Reserves on impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or the observable market price, or the fair value of the underlying collateral of the loan if the loan is collateral dependent. Interest accruals on loans are discontinued when the loan is considered impaired and/or there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is generally if payments become 90 days past due. When a loan is placed on nonaccrual status, all interest previously accrued and not paid is reversed against current period income.

Income on such loans is subsequently recognized on a cash basis as long as the future collection of principal is deemed probable. A loan is placed back on accrual status when both principal and interest are current and it is probable that all amounts due, both principal and interest, are fully collectible according to the terms of the loan agreement. As of December 31, 2008 and 2007, the Bank had no loans more than 30 days past due and no nonaccrual loans.

Allowance for Loan Losses

The allowance for loan losses is established through the provision for loan losses charged against earnings and is maintained at a level that management considers adequate to absorb losses inherent in the portfolio. The allowance for loan losses framework has two basic elements: specific allowances for loans individually evaluated for impairment and a general allowance for pools of homogeneous loans not individually evaluated. This analysis includes the evaluation of

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

impaired loans as prescribed under Statements of Financial Accounting Standards (SFAS) No. 114, *Accounting by Creditors for Impairment of a Loan*, and SFAS No. 118, *Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures*, as well as pooled loans as prescribed under SFAS No. 5, *Accounting for Contingencies*. Management's evaluation of the allowance considers changes in the nature and volume of the portfolio, adequacy of collateral, delinquency trends, loan concentrations, economic conditions and other factors considered necessary to maintain the allowance at an adequate level. Loans are charged against the allowance for loan losses when management believes that the collection of the principal is unlikely and subsequent recoveries, if any, are credited to the allowance in the period received. As of December 31, 2008 and 2007, the Bank had not recorded any charge-offs or recoveries related to its loan portfolio.

Management believes that the allowance for loan losses is adequate. While management uses available information to estimate the inherent losses at each balance sheet date, future changes to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for losses on loans. Such agencies may require the Bank to adjust the allowance based on their judgment about information available to them at the time of their examination.

Premises and Equipment, net

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Major additions and improvements are charged to the asset accounts while maintenance and repairs that do not improve or extend the useful lives of the assets are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected in the results of operations for the period.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of the loan balance or fair value at the date of foreclosure, less estimated costs to sell. Subsequent to foreclosure, the assets are carried at the lower of carrying amount or fair value, less estimated costs to sell. As of December 31, 2008 and 2007, the Bank had no other real estate owned.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Segment Reporting

Atlantic Capital considers its operations to be a single business segment as defined in SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*. The Company has determined that its lending divisions meet the aggregation criteria of SFAS No. 131 as the products and services, nature of the production processes, types of customers, methods used to distribute products and services and the regulatory environment are sufficiently similar to aggregate their results.

Income Taxes

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities 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 tax expense 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 Atlantic Capital's assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such assets is required. A valuation allowance is provided when it is deemed more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the ability to realize the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies.

Atlantic Capital files its income tax returns on a consolidated basis.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Stock-Based Compensation

Atlantic Capital sponsors a stock-based compensation plan, which is described more fully in Note 9. The Company accounts for stock-based compensation in accordance with the provisions of SFAS No. 123(R), *Share-Based Payments*, which requires compensation expense to be recognized for share-based payments. According to SFAS No. 123(R), the total cost of the Company's stock-based awards is equal to their grant date fair value and is recognized as expense on a straight-line basis over the vesting periods of the awards. Total stock-based compensation expense recognized by the Company during 2008 and 2007 for stock option grants and warrants was \$1.5 million and \$1.0 million, respectively.

Earnings per Share

Basic earnings per share are computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during each period. Diluted earnings per share are based on the weighted-average number of common shares outstanding during each period, plus common share equivalents calculated for stock options and warrants outstanding using the treasury stock method.

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 are funded or related fees are incurred or received.

Fair Value

The Company measures its investment securities at fair value on a recurring basis. On January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. As defined by SFAS No. 157, fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As a basis for considering market participant assumptions in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Fair Value Hierarchy:

Level 1 – Assets or liabilities for which the identical item is traded on an active exchange, such as publicly-traded instruments or futures contracts.

Level 2 – Assets and liabilities valued based on observable market data for similar instruments.

Level 3 – Assets or liabilities for which significant valuation assumptions are not readily observable in the market, instruments valued based on the best available data, some of which is internally-developed, and risk premiums that a market participant would require.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement.

The Company records investment securities available-for-sale at fair value on a recurring basis. Investment securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. In estimating the fair values for investment securities, the Company believes that independent third party market prices are the best evidence of an exit price. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the Treasury Department yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the securities' terms and conditions, among other things.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. The statement clarifies that the exchange price is the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The statement emphasizes that fair value is a market-based measurement and not an entity-specific measurement. It also establishes a fair value hierarchy used in fair value measurements and expands the required disclosures of assets and liabilities measured at fair value. SFAS No. 157 was effective January 1, 2008 and did not have a material impact on the Company's financial position or results of operations.

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*. The FSP applies to financial assets that are in the scope of SFAS No. 157, *Fair Value Measurements*, to clarify its application in an inactive market. The FSP addresses how management's internal assumptions should be considered when measuring fair value in cases where relevant observable data does not exist, how observable market information in inactive markets should be considered when measuring fair value, and how the use of market quotes should be considered when assessing the relevance of observable and unobservable data available to measure fair value. The FSP clarifies that in inactive markets there may be more reliance placed upon the use of management's internal assumptions (a Level 3 fair value measurement), but regardless of the valuation technique, an entity should include the appropriate risk adjustments that market participants would make for nonperformance and liquidity risks. The FSP is effective upon issuance, including prior periods for which financial statements have not been issued. The Company does not have any assets classified as Level 3 at this time and therefore, the issuance of the standard did not impact the Company's financial position or results of operations for the periods reported.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*. SFAS 159 permits entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument by instrument, with certain exceptions, (ii) is irrevocable (unless a new election date

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

occurs) and (iii) is applied only to entire instruments and not to portions of instruments. SFAS No. 159 was effective January 1, 2008 and did not have a material impact on the Company's financial position or results of operations as the Company did not elect the fair value option with respect to any financial assets or liabilities.

In November 2007, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 109. SAB No. 109 revises the view expressed in SAB No. 105 and states that the expected net future cash flows related to the associated servicing of a loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. SAB No. 109 expands to all loan commitments, the view that internally-developed intangible assets, such as customer relationship intangible assets, should not be recorded as part of the fair value of a derivative loan commitment. SAB No. 109 was effective on a prospective basis for loan servicing activities related to derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. Though the Company is not subject to reporting requirements under SEC Regulation S-X, the Company applied SAB No. 109 effective January 1, 2008 and it did not have a material impact on the Company's financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*, which revises SFAS No. 141 and changes multiple aspects of the accounting for business combinations. Under the guidance in SFAS No. 141R, the acquisition method must be used, which requires the acquirer to recognize most identifiable assets acquired, liabilities assumed, and noncontrolling interests in the acquiree at their full fair value on the acquisition date. Goodwill is to be recognized as the excess of the consideration transferred plus the fair value of the noncontrolling interest over the fair values of the identifiable net assets acquired. Subsequent changes in the fair value of contingent consideration classified as a liability are to be recognized in earnings, while contingent consideration classified as equity is not to be remeasured. Costs such as transaction costs are to be excluded from acquisition accounting, generally leading to recognizing expense and additionally, restructuring costs that do not meet certain criteria at acquisition date are to be subsequently recognized as post-acquisition costs. SFAS No. 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company will be required to apply SFAS No. 141R prospectively to any business combinations completed after January 1, 2009.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, which amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and expands the derivative-related disclosure requirements. SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures in tabular format of the fair values of derivative instruments and their gains and losses, and disclosures about credit-risk related contingent features in derivative agreements. The standard also amended SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to clarify the disclosure requirements with respect to derivative counterparty credit risk. SFAS No. 161 is effective for annual and interim periods beginning after November 15, 2008. SFAS No. 161 is not expected to have a material impact on the Company's financial position or results of operations.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with U.S. GAAP. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The Company does not anticipate that SFAS No. 162 will have a material impact on its financial position or results of operation.

In June 2008, the FASB issued FASB Staff Position (FSP) No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. The FSP concludes that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities that should be included in the earnings allocation in computing earnings per share under the two-class method. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior period earnings per share data presented must be adjusted retrospectively. FSP No. EITF 03-6-1 is not expected to have a material impact on the Company's financial position or results of operations.

In December 2008, the FASB issued FSP FASB Interpretation No. (FIN) 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. The FSP defers the effective date of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for certain nonpublic enterprises until fiscal years beginning after December 15, 2008. FIN 48 prescribes a

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

specific recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in the Company's tax return. FIN 48 establishes a two-step process for determining the amount of tax benefit to record for tax positions (deductions, exclusions, or credits): (1) recognition assessment – to determine if any tax benefit should be recorded; (2) measurement assessment – to determine the amount of tax benefit to be recorded. The Company will be required to adopt the provisions of FIN 48 for the fiscal year ending December 31, 2009. FIN 48 is not expected to have a material impact on the Company's financial position or results of operations.

In September 2008, the FASB issued two separate but related exposure drafts for proposed amendments to SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and proposed amendments to FASB Interpretation (FIN) No. 46(R), *Consolidation of Variable Interest Entities*. The proposed amendments to SFAS No. 140, among other amendments to the sale criteria on SFAS No. 140, eliminate the concept of a qualifying special-purpose entity (QSPE) and would require an existing QSPE to be analyzed for consolidation according to FIN 46R. In addition, the proposed amendments introduce the concept of a "participating interest", which establishes specific conditions for reporting the transfer of a portion of a financial asset as a sale. The proposed amendments to FIN 46(R) are intended to change the consolidation model for determining which enterprise should consolidate a VIE from primarily an economic focus to a control and economic focus. Under the proposed amendment, companies must first make a qualitative assessment to determine the primary beneficiary, if any, of a VIE and a quantitative analysis is only required if the qualitative assessment fails to conclusively identify whether the reporting entity is the primary beneficiary. The amended statement, if finalized, would be effective for the first interim reporting period of 2010. As part of its project to amend SFAS No. 140 and FIN 46R, the FASB issued FSP FAS No. 140-4 and FIN 46(R)-8 in December 2008, which requires enhanced disclosures regarding the extent of a transferor's continuing involvement with transferred financial assets and the Company's involvement with VIEs. The Company does not expect these proposed amendments and enhanced disclosures will have an impact on its financial statements.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

2. Investment Securities Available-for-Sale

Investment securities available-for-sale at December 31, 2008 and 2007 were as follows (in thousands):

	2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government agencies	\$ 7,000	\$ 31	\$ –	\$ 7,031
Trust preferred securities	4,534	–	(1,985)	2,549
Mortgage-backed securities	60,991	1,268	–	62,259
Total	\$ 72,525	\$ 1,299	\$ (1,985)	\$ 71,839

	2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government agencies	\$ 5,030	\$ –	\$ –	\$ 5,030
Trust preferred securities	4,509	20	–	4,529
Mortgage-backed securities	9,345	122	–	9,467
Total	\$ 18,884	\$ 142	\$ –	\$ 19,026

Unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2008 are summarized as follows (in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Trust preferred securities	\$ 2,549	\$ 1,985	\$ –	\$ –	\$ 2,549	\$ 1,985
Total	\$ 2,549	\$ 1,985	\$ –	\$ –	\$ 2,549	\$ 1,985

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

2. Investment Securities Available-for-Sale (continued)

At December 31, 2008, the Bank held an investment security having a continuous unrealized loss position for approximately 11 months. Market changes in interest rates and credit spreads result in temporary unrealized losses as the market price of securities fluctuate. The turmoil and illiquidity in the financial markets during 2008 increased market yields on securities as a result of credit spreads widening. For this particular security, the unrealized loss resulted primarily from market interest rate changes, as opposed to, credit concerns. The Bank has the intent and ability to hold this security until recovery and, having reviewed it for other-than-temporary impairment, does not consider it to be other-than-temporarily impaired. There were no unrealized losses in the investment portfolio at December 31, 2007.

The amortized cost and estimated fair value of investment securities available-for-sale at December 31, 2008, by contractual maturity, are shown below (in thousands). Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in three years to five years	\$ 2,000	\$ 2,005
Due after five years through ten years	5,000	5,026
After ten years	4,534	2,549
Mortgage-backed securities	60,991	62,259
Total	<u>\$ 72,525</u>	<u>\$ 71,839</u>

During the years ended December 31, 2008 and 2007, there were no sales of investment securities available-for-sale. During the year ended December 31, 2008, proceeds from calls of investment securities available-for-sale were \$2.0 million, resulting in no realized gains or losses. During the year ended December 31, 2007, there were no calls of investment securities available-for-sale.

An investment security with a carrying value of approximately \$5.0 million was pledged to secure public deposits at December 31, 2008. No securities were pledged at December 31, 2007.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

3. Loans

The composition of the loan portfolio at December 31, 2008 and 2007 was as follows (in thousands):

	2008	2007
Commercial and industrial loans	\$ 165,539	\$ 47,003
Real estate:		
Construction/land	26,866	4,530
Commercial	144,190	21,930
Multifamily	38,448	10,875
Home equity	21,479	3,876
Total real estate loans	230,983	41,211
Consumer and other	5,869	3,372
	402,391	91,586
Net deferred fees and other unearned income	(2,006)	(375)
Less allowance for loan losses	(5,605)	(1,459)
Loans, net	\$ 394,780	\$ 89,752

Atlantic Capital concentrates its lending activities in the origination of commercial and industrial loans and commercial real estate loans. As of December 31, 2008 and 2007, commercial and industrial loans represented 41.1% and 51.3% of gross loans, respectively. As of December 31, 2008 and 2007, commercial real estate loans, including construction/land and multifamily loans, represented 52.1% and 40.8% of gross loans, respectively.

Commercial and industrial loans increased \$118.5 million, or 252.2%, to \$165.5 million as of December 31, 2008, from \$47.0 million as of December 31, 2007. The Company's commercial and industrial loans are made to a wide variety of industry sectors, including industrial and manufacturing, financial services, business services, not-for-profit, consumer service, and retail.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

3. Loans (continued)

Commercial real estate loans, including construction/land and multifamily loans, increased \$172.2 million, or 461.1%, to \$209.5 million as of December 31, 2008 from \$37.3 million as of December 31, 2007. This portfolio includes loans on which the underlying collateral may be owner-occupied or income producing collateral. The primary source of loan repayment with respect to loans secured by owner-occupied properties is business income and not real estate operations. Loans for owner-occupied properties totaled \$41.2 million and \$778,000 as of December 31, 2008 and 2007, respectively. The majority of Atlantic Capital's real estate loans are secured by real property located in metropolitan Atlanta, Georgia. This geographic concentration subjects the loan portfolio to the general economic conditions within this area. In the determination of the adequacy of the allowance for loan losses, management has considered the risks related to this geographic concentration.

Home equity lines of credit and consumer loans increased \$20.1 million, or 277.3%, to \$27.3 million as of December 31, 2008 from \$7.2 million as of December 31, 2007. As of December 31, 2008 and 2007, home equity lines of credit and consumer loans represented 6.8% and 7.9% of gross loans, respectively.

A summary of activity in the allowance for loan losses for the years ended December 31, 2008 and 2007 is as follows (in thousands):

	2008	2007
Balance at beginning of year	\$ 1,459	\$ —
Provision charged to operations	4,146	1,459
Loans charged-off	—	—
Recoveries on loans previously charged-off	—	—
Balance at end of year	\$ 5,605	\$ 1,459

Nonperforming loans consist of loans on nonaccrual status and accruing loans past due greater than 90 days. As of, and during the years ended, December 31, 2008 and 2007, there were no nonperforming loans.

As of and during the years ended December 31, 2008 and 2007, there were no investments in loans that were considered to be impaired under SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

3. Loans (continued)

In the normal course of business, the Bank conducts transactions with its directors and executive officers, including companies in which such officers or directors have a beneficial interest. It is the policy of Atlantic Capital that all such transactions are on substantially the same terms as those prevailing at the time for comparable transactions with third parties. The following is a summary of activity with respect to related party loans in 2008 and 2007 (in thousands):

	<u>2008</u>	<u>2007</u>
Balance at beginning of year	\$ 708	\$ —
Additions	8,260	801
Repayments	(6,829)	(93)
Balance at end of year	<u>\$ 2,139</u>	<u>\$ 708</u>

4. Premises and Equipment

A summary of premises and equipment and their useful lives as of December 31, 2008 and 2007 is as follows (in thousands):

	<u>Useful Life</u>	<u>2008</u>	<u>2007</u>
Leasehold improvements	10 – 11 years	\$ 2,681	\$ 2,677
Equipment and furniture	1 – 10 years	2,916	2,629
Projects in process		3	3
		<u>5,600</u>	<u>5,309</u>
Less accumulated depreciation		(1,324)	(541)
		<u>\$ 4,276</u>	<u>\$ 4,768</u>

Depreciation expense was \$638,000, \$423,000, and \$6,000 in 2008, 2007 and 2006, respectively.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

5. Deposits

At December 31, 2008 and 2007, contractual maturities of time deposits are summarized as follows (in thousands):

	2008	2007
Maturity one year or less	\$ 59,215	\$ 142
Maturity greater than one year through two years	3,103	—
Maturity greater than two years through three years	423	—
Maturity greater than three years	380	—
Total time deposits	\$ 63,121	\$ 142

The table above includes certificates of deposit from banking clients totaling \$32.9 million and brokered certificates of deposit totaling \$30.2 million.

Time deposits of \$100,000 or more totaled \$19.9 million at December 31, 2008. Time deposits of \$100,000 or more with maturities greater than one year were \$2.9 million at December 31, 2008. At December 31, 2007, all time deposits outstanding were in denominations of less than \$100,000.

At December 31, 2008, the Bank held total brokered deposits of \$108.9 million. Included in brokered deposits at December 31, 2008, were \$30.2 million in certificates of deposit. At December 31, 2008, the weighted average cost of brokered certificates of deposit was 2.67%. Brokered certificates of deposit are included in maturities of one year or less in the table above. The Bank also held brokered money market accounts and brokered interest-bearing checking accounts totaling \$78.7 million and \$78,000, respectively, at December 31, 2008. The Bank did not utilize brokered deposits during 2007.

Interest expense on deposits for the years ended December 31, 2008 and 2007 consisted of the following (in thousands):

	2008	2007
Interest-bearing checking	\$ 81	\$ 24
Money market	2,513	564
Time deposits	655	3
Brokered deposit	817	—
Total interest on deposits	\$ 4,066	\$ 591

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

5. Deposits (continued)

At December 31, 2008 and 2007, deposits from directors, executive officers and their related interests aggregated approximately \$4.1 million and \$2.8 million, respectively. These deposits were taken in the normal course of business at market interest rates and terms.

6. Borrowed Funds

FHLB Advances

As of December 31, 2008, the Bank was a shareholder in the Federal Home Loan Bank of Atlanta (FHLB). Advances from the FHLB are collateralized by FHLB stock and certain multifamily, home equity lines of credit and commercial real estate loans to secure a total commitment amount of \$48.2 million as of December 31, 2008. As of December 31, 2008, advances from the FHLB totaled \$42.9 million with a weighted average interest rate of 3.68%. Interest was payable at fixed rates ranging from 3.21% to 4.30%, and the advances mature at various dates from September 27, 2010 through July 22, 2015. There were no outstanding FHLB advances at December 31, 2007. Management anticipates continued utilization of this short and long-term source of funds to minimize interest rate risk and to fund growth in interest-earning assets when favorable to do so.

Contractual maturities of FHLB advances at December 31, 2008 were as follows (dollars in thousands):

	<u>Amount</u>	<u>Rate Range</u>
2009	\$ —	—
2010	15,000	3.71%
2011	—	—
2012	—	—
2013	18,800	3.22% – 3.56%
Thereafter	9,136	4.300%
Total FHLB advances	<u>\$ 42,936</u>	

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

6. Borrowed Funds (continued)

Short-Term Debt

As of December 31, 2008, short-term borrowings totaled \$15.0 million and consisted primarily of federal funds purchased with an interest rate of 0.75%. The Bank has entered into line of credit agreements with various financial institutions to purchase federal funds with an aggregate commitment amount of \$78.0 million as of December 31, 2008. There were no federal funds purchased outstanding at December 31, 2007.

In 2008, the Bank entered into a line of credit agreement with the Federal Reserve Bank of Atlanta through which it has pledged a portion of its unencumbered loan portfolio to secure a total commitment amount of \$64.9 million as of December 31, 2008. The commitment level varies proportionally to the collateral balances. There was no outstanding balance related to this agreement as of December 31, 2008.

On February 27, 2007, Atlantic Capital Organizing Group, LLC entered into a \$3.5 million short-term credit facility with BCP Fund I Southeast Holdings, LLC, an affiliate of BankCap Partners Fund. The Organizing Group made the proceeds of this credit facility available to the Company to cover anticipated amounts required prior to closing of the private placement of common stock and the opening of the Bank, for more information on the private placement see Note 8. The credit facility from the Organizing Group to the Company was made on the same terms as the credit facility from BCP Fund I Southeast Holding, LLC to the Organizing Group. Interest on the short-term credit facility was calculated based on prime rate minus 0.25% per annum. The credit facility was repaid from the proceeds of the common stock issued by the Company.

7. Income Taxes

Due to the net operating losses incurred in 2008, 2007, and 2006, and the valuation allowance recorded in 2008 and 2007, there is no current or deferred income tax provision.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

7. Income Taxes (continued)

The income tax benefit is less than that computed by applying the federal statutory rate of 35% in 2008 and 2007, as indicated in the following analysis (in thousands):

	<u>2008</u>	<u>2007</u>
Tax benefit based on federal statutory rate	\$ (2,817)	\$ (2,925)
State benefit taxes, net of federal benefit	(312)	(324)
Other	16	12
Valuation allowance	3,113	3,237
	<u>\$ -</u>	<u>\$ -</u>

The following summarizes the net deferred tax asset. The net deferred tax asset is included as a component of other assets at December 31, 2008 and 2007 (in thousands):

	<u>2008</u>	<u>2007</u>
Net operating loss carryforward	\$ 2,670	\$ 2,159
Organizational costs	687	738
Allowance for loan losses	2,180	568
Stock-based compensation	997	395
Deferred loan fees and costs, net	666	146
Net unrealized losses on investment securities available-for-sale	267	-
Other	20	19
Total gross deferred tax assets	<u>7,487</u>	<u>4,025</u>
Unrealized gains on investment securities available- for-sale	-	55
Depreciation	102	20
Total gross deferred tax liabilities	<u>102</u>	<u>75</u>
Net deferred tax assets	<u>\$ 7,385</u>	<u>\$ 3,950</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

7. Income Taxes (continued)

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Due to the limited history of the Company, the subjectivity of the timing of the Company generating taxable income, and the requirements of SFAS No. 109, *Accounting for Income Taxes*, the Company's valuation allowance totaled \$7.1 million and \$4.0 million at December 31, 2008 and 2007, respectively. The valuation allowance offsets the net deferred tax asset at December 31, 2008 and 2007, with the exception of the tax effect of the unrealized gains and losses on securities available-for-sale. Unrealized gains and losses on securities available-for sale were recorded in other comprehensive income and had no effect on the income tax benefit recorded for 2008 and 2007, therefore no valuation allowance was recorded.

The Company's 2007 and 2006 and the Organizing Group's 2006 income tax returns remain subject to examination by both U. S. federal and state jurisdictions.

8. Stockholders' Equity and Members' Capital

In August 2006, ten organizers contributed \$100 each to form the Organizing Group with an initial capitalization of \$1,000. Subsequent capital contributions totaling \$3.5 million were made by BankCap Partners Fund. Capital contributions made by BankCap Partners Fund I totaled \$3.5 million and \$2.2 million at December 31, 2007 and 2006, respectively. The proceeds from these member contributions were used to pay organizational, pre-opening and other expenses related to the filing of regulatory applications, leasing of office space, the retention of key officers and preparing to commence the Bank's business. In addition, in October 2006, Atlantic Capital issued 100 shares of common stock at a price of \$10.00 per share to the Organizing Group.

During 2007, in a private placement of common stock and warrants, Atlantic Capital issued 12,533,371 shares of common stock at a price of \$10.00 per share, representing the fair market value of the stock. The proceeds were used to fund the Bank, pay organizational, pre-opening, selling, and other expenses related to the offering and for general corporate purposes. BankCap Partners Fund received a \$3.5 million capital distribution and the 100 shares of common stock issued to the Organizing Group were repurchased at a price of \$10.00 per share. In December 2007, the \$1,000 initial contribution to the Organizing Group was distributed to the members and the partnership was dissolved.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

8. Stockholders' Equity and Members' Capital (continued)

At the time of the private placement, two executive officers elected to receive 75% of their salary in cash through the organization period, with the remainder to be paid in stock at the time of the Bank's formation. Deferred compensation from the date of inception to May 14, 2007 was \$138,540. As a result of this election, each executive officer received 6,927 shares of Atlantic Capital common stock.

9. Employee and Director Benefit Plans

Defined Contribution Plan

Atlantic Capital sponsors a 401(k) qualified retirement plan that is qualified pursuant to Section 401 of the Internal Revenue Code. The plan is referred to as a "safe harbor 401(k) plan". The plan allows eligible employees to defer a portion of their income by making contributions into the plan on a pretax basis. The plan provides for a safe harbor contribution by Atlantic Capital. If the Company elects to make the safe harbor contribution, it will be at least 3% of eligible employees' compensation that is subject to income tax and paid during the plan year. Eligible employees are not required to participate in the plan in order to receive the safe harbor contribution. The plan also provides that the Board of Directors may authorize matching contributions based on a percentage of the amount contributed by the employee and discretionary profit sharing contributions. Employees of the Company must meet certain requirements concerning minimum age and credited period of service to participate in the plan. During the years ended December 31, 2008 and 2007, the Company contributed approximately \$229,000 and \$160,000, respectively, to this plan under its safe harbor provision.

Stock Option Plan and Warrants

Atlantic Capital sponsors a stock incentive plan for the benefit of directors and employees. Under the Company's 2006 Stock Incentive Plan (the Plan), there are 2,000,000 shares reserved for issuance in order for directors and employees to purchase Atlantic Capital stock at a price equal to the fair market value on the date on the grant. The Compensation Committee has the authority to grant an incentive or nonqualified option; a restricted stock award (including a restricted stock award or a restricted unit award); a performance award (including a performance share award or a performance unit award); a phantom stock award; a dividend equivalent award; or any other award granted under the plan. Shares delivered under the Plan shall be authorized

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

9. Employee and Director Benefit Plans (continued)

but unissued shares, treasury shares or shares purchased on the open market or by private purchase. As of December 31, 2008 and 2007, 798,500 stock options had been granted to directors and employees. Stock options are granted at a price which is no less than the fair market value of a share of Atlantic Capital common stock on the grant date. Stock options vest over three years and expire after ten years.

In 2007, in connection with the Company's private placement described in Note 8, warrants for 594,000 shares were issued for the purchase of common stock for \$10.00 per warrant. Certain members of the Organizing Group received 29,000 warrants, one warrant for each 10 shares purchased, with a maximum of 10,000 warrants per member. BankCap Partners Fund received 350,000 warrants in connection with the \$3.5 million in advances it made to the Organizing Group. In addition, certain executive officers of the Bank received a total of 215,000 warrants. These warrants allow each holder to purchase one additional share of common stock for each share purchased in connection with the private placement, with the exception of one holder which received warrants to purchase one additional share of common stock for each 10 shares purchased. The warrants were issued as of May 14, 2007, the date of issuance of common stock sold in the private placement, and are exercisable for a period of ten years following the issuance.

The Company accounts for stock options and warrants in accordance with the provisions of SFAS No. 123(R), *Share-Based Payments*, which requires the Company to recognize the costs of its employee stock option awards and warrants in its income statement. According to SFAS No. 123(R), the total cost of the Company's share-based awards is equal to their grant date fair value and is recognized as expense on a straight-line basis over the vesting period of the awards. Total stock-based compensation expense recognized by the Company during 2008 and 2007 for stock option grants and warrants was \$1.5 million and \$1.0 million, respectively. Unrecognized stock-based compensation expense related to stock option grants and warrants at December 31, 2008 and 2007, was \$2.1 million and \$3.6 million, respectively. At December 31, 2008 and 2007, the weighted average period over which this unrecognized expense is expected to be recognized was 1.4 years and 2.4 years, respectively.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

9. Employee and Director Benefit Plans (continued)

The Company estimates the fair value of its options and warrants awards using the Black-Scholes option pricing model. The Company used industry data obtained from bank holding companies' with similar attributes to estimate option and warrant exercise and termination patterns within the Black-Scholes model. The risk-free rate for periods within the contractual life of the option and warrant is based on the U.S. Treasury yield curve in effect at the time of grant. The weighted-average grant-date fair value of stock options and warrants granted to Atlantic Capital directors and employees during 2007 was \$3.33. During 2007, there were 798,500 options and 594,000 warrants granted at an exercise price of \$10.00 each. There were no options or warrants granted during 2008. Assumptions used in calculating the fair value of options and warrants granted during 2007 were as follows:

	<u>2007</u>
Dividend yield	0.00%
Risk-free interest rate (range)	4.24% – 5.08%
Expected volatility (range)	21.00% – 22.20%
Expected life	6 yrs

A summary of the status of outstanding stock options under the Company's stock incentive plan and warrants at December 31, 2008 and 2007, and the changes during the years then ended is presented in the table below:

	<u>2008</u>		<u>2007</u>	
	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
Outstanding, beginning of year	1,392,500	\$ 10.00	–	\$ –
Granted	–	–	1,392,500	10.00
Outstanding, end of year	1,392,500	\$ 10.00	1,392,500	\$ 10.00
Exercisable, end of year	464,113	–	–	–
Weighted average fair value of options and warrants granted	\$ 3.33		\$ 3.33	

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

9. Employee and Director Benefit Plans (continued)

Options and Warrants Outstanding	Price per Share	Weighted Average Price Per Share	Weighted Average Years Remaining	Options and Warrants Currently Exercisable	Weighted Average Price Per Share	Weighted Average Years Remaining
1,392,500	\$ 10.00	\$ 10.00	8.4	464,113	\$10.00	8.4

10. Earnings (Loss) Per Share

Basic earnings (loss) per share amounts are computed by dividing net income by the weighted average number of shares of common stock outstanding.

Diluted earnings per share amounts are computed by dividing net income by the weighted average number of shares of common stock outstanding and the dilutive effects of the shares awarded under the stock option plans, based on the treasury stock method using an average fair market value of the stock during the respective periods.

The Company had no dilutive options included in the calculations of diluted earnings (loss) per share for the years ended December 31, 2008 and 2007. The following table represents the earnings (loss) per share calculations for the years ended December 31, 2008 and 2007 (in thousands, except share data):

	Net loss	Shares	Per Share Amount
2008			
Basic and diluted loss per share:			
Income available to common shareholders	<u>\$ (8,048)</u>	<u>12,533,371</u>	<u>\$ (0.64)</u>
2007			
Basic and diluted loss per share:			
Income available to common shareholders	<u>\$ (8,356)</u>	<u>12,533,371</u>	<u>\$ (0.67)</u>

The authorized capital stock of the Company consists of 100,000,000 shares of common stock, \$1 par value. At December 31, 2008 and 2007, 12,533,371 shares of common stock were issued and outstanding.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

11. Regulatory Matters

The primary source of funds available to Atlantic Capital is payments of dividends from the Bank. The Bank has not paid any dividends to Atlantic Capital in 2008 or 2007. Banking laws and other regulations limit the amount of dividends a bank subsidiary may pay without prior regulatory approval. Until May 2010, the Bank is prohibited from paying any dividends to the Company without prior approval from the Georgia Banking Department. Additionally, the Company's ability to pay dividends to its shareholders will depend on the ability of the Bank to pay dividends to the Company. The Bank is subject to significant regulatory restrictions on the payment of cash dividends, which generally may be paid only from current earnings.

The Company and the Bank are subject to various regulatory capital requirements administered by the 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 Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's 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 Company and Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2008 and 2007, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2008 and 2007, the Bank was categorized 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, Tier I risk-based, and Tier I leverage ratios as set forth in the following table. Management believes there are no conditions or events since the previous notification that have changed the institution's categorizations.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

11. Regulatory Matters (continued)

The Company's and the Bank's actual capital amounts and ratios are presented in the table below (dollar amounts in thousands):

	As of December 31, 2008					
	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	\$ 111,990	22.64%	\$ 39,585	8.0%	\$ N/A	N/A
Bank	109,892	22.22	39,585	8.0	49,482	10.0%
Tier I capital (to risk weighted assets):						
Consolidated	106,385	21.50	19,793	4.0	N/A	N/A
Bank	104,287	21.08	19,793	4.0	29,689	6.0
Tier I capital (to average assets):						
Consolidated	106,385	24.90	17,093	4.0	N/A	N/A
Bank	104,287	24.40	17,093	4.0	21,367	5.0

	As of December 31, 2007					
	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	\$ 114,186	86.69%	\$ 10,537	8.0%	N/A	N/A
Bank	112,053	85.38	10,500	8.0	\$ 13,125	10.0%
Tier I capital (to risk weighted assets):						
Consolidated	112,727	85.58	5,269	4.0	N/A	N/A
Bank	110,594	84.26	5,250	4.0	7,875	6.0
Tier I capital (to average assets):						
Consolidated	112,727	67.66	6,664	4.0	N/A	N/A
Bank	110,594	67.33	6,570	4.0	8,212	5.0

In addition to the capital requirements above, the Georgia Banking Department requires each state bank to maintain a Tier 1 capital ratio, as defined by the Georgia Banking Department's Statement of Policies, of not less than 8.0% during its first three year of operations. As of December 31, 2008 and 2007, the Bank was in compliance with this requirement.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies

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 and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the consolidated balance sheets. The contract amounts of these instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

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 are expected to 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 majority of our loans are secured by certain assets of the borrower; however, we periodically make unsecured loans to our most creditworthy clients on a limited basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. The Bank's loans are primarily collateralized by residential and commercial real properties, accounts receivable, inventory, and equipment.

Standby letters of credit are written conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. Most letters of credit expire in less than one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The Bank's 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.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies (continued)

Financial instruments whose contract amounts represent credit risk (in thousands):

	<u>2008</u>
Commitments to extend credit	\$ 153,988
Standby letters of credit	4,229
	<u>\$ 158,217</u>

The Company leases three offices in Atlanta, Georgia. At December 31, 2008, minimum operating lease commitments are summarized as follows (in thousands):

2009	\$ 877
2010	900
2011	925
2012	949
2013	975
Thereafter	4,012
Total minimum lease payments	<u>\$ 8,638</u>

Rent expense for the years ended December 31, 2008, 2007, and 2006 was approximately \$1.1 million, \$803,000, and \$16,000, respectively.

In the ordinary course of business, the Company is involved in routine litigation and various legal proceedings related to the Company's operations. Currently, there is no pending litigation or proceedings that management believes will have a material adverse effect, either individually or in the aggregate, on the Company's business, financial condition, and results of operations.

13. Fair Value

The Company measures its investment securities at fair value on a recurring basis. As discussed in Note 1, the Company adopted the fair value financial accounting standards SFAS No. 157 and SFAS No. 159 as of January 1, 2008. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

13. Fair Value (continued)

SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. As defined by SFAS No. 157, fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As a basis for considering market participant assumptions in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Fair Value Hierarchy:

Level 1 – Assets or liabilities for which the identical item is traded on an active exchange, such as publicly-traded instruments or futures contracts.

Level 2 – Assets and liabilities valued based on observable market data for similar instruments.

Level 3 – Assets or liabilities for which significant valuation assumptions are not readily observable in the market, instruments valued based on the best available data, some of which is internally-developed, and risk premiums that a market participant would require.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement.

The Company records investment securities available-for-sale at fair value on a recurring basis. Investment securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. In estimating the fair values for investment securities, the Company believes that independent third party market prices are the best evidence of an exit price. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the Treasury Department yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the securities' terms and conditions, among other things.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

13. Fair Value (continued)

The following table presents the assets that were measured at fair value on a recurring basis by level within the fair value hierarchy as reported on the consolidated statements of financial position at December 31, 2008 (in thousands):

	Fair Value Measurements at December 31, 2008			
	Total	Quoted Prices to Active Markets for Identical Securities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investment securities available-for-sale	\$ 71,839	\$ —	\$ 71,839	\$ —

Fair Value of Financial Instruments

SFAS No. 107, *Disclosures About Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. 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. The following disclosure should not be considered a surrogate of the liquidation value of Atlantic Capital or the Bank, but rather a good-faith estimate of the increase or decrease in value of financial instruments held by Atlantic Capital since purchase, origination, or issuance.

The following methods and assumptions were used by the Company in estimating its fair values disclosures for financial instruments:

(a) Cash and Cash Equivalents

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

(b) Investment Securities Available-for-Sale

Fair values for investment securities available-for-sale are based on quoted market prices.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

13. Fair Value (continued)

(c) Federal Home Loan Bank Stock

The Federal Home Loan Bank has historically repurchased their stock at cost. Therefore, the carrying amount is considered a reasonable estimate of its fair value.

(d) Loans, Net

The fair value of fixed rate loans is estimated by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and adjusted for a market liquidity discount. For variable rate loans the carrying amount is a reasonable estimate of fair value, adjusted for a market liquidity discount. Estimating the fair value of the loan portfolio when loan sales and trading markets are illiquid requires significant judgment. Therefore, the estimated fair value can vary significantly depending on a market participant's ultimate considerations and assumptions. The Company uses assumptions that are expected to approximate those that a market participant purchasing the loans would use to value the loans in an illiquid market. The final value yields a market participant's expected return on investment that is indicative of the current distressed market conditions, but it does not take into consideration the Company's estimated value from continuing to hold these loans or its lack of willingness to transact at these estimated values.

(e) Deposits

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

(f) Advances from the Federal Home Loan Bank

The fair value of the FHLB fixed rate borrowing is estimated using discounted cash flows, based on the current incremental borrowing rates for similar types of borrowing arrangements.

(g) Federal Funds Purchased, Repurchase Agreements and Other Borrowings

For federal funds purchased, repurchase agreements and other borrowings, the carrying amount is a reasonable estimate of fair value.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

13. Fair Value (continued)

(h) Off-Balance Sheet Financial Instruments

Because commitments to extend credit and standby letters of credit are generally short-term and at variable rates, the contract value and estimated fair value associated with these instruments are immaterial.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time Atlantic Capital's entire holdings of a particular financial instrument.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

The carrying amounts and estimated fair values of Atlantic Capital's financial instruments at December 31, 2008 and 2007 are summarized below (in thousands):

	2008		2007	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 3,265	\$ 3,265	\$ 5,637	\$ 5,637
Interest-bearing deposits in other banks	34,504	34,504	10,000	10,000
Federal funds sold	18	18	38,852	38,852
Investment securities available-for-sale	71,839	71,839	19,026	19,026
FHLB stock	2,235	2,235	214	214
Loans, net	394,780	399,336	89,752	89,784
Financial liabilities:				
Deposits	345,782	348,137	52,925	52,924
Federal Home Loan Bank advances	42,936	46,335	-	-
Federal funds purchased and securities under agreements to repurchase	15,009	15,009	-	-
Other borrowings	37	37	-	-

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

14. Comprehensive (Loss) Income

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for reporting comprehensive income. Comprehensive income includes net income and other comprehensive income, which is defined as non-owner related transactions in equity. Atlantic Capital's only other comprehensive income item is unrealized gains (losses), net of tax, on investment securities available-for-sale. If applicable, in the calculation of comprehensive income, certain reclassification adjustments are made for any gains (losses) included in net earnings. The following table reflects the components of other comprehensive income for the years ended December 31, 2008 and 2007 (in thousands):

	2008	2007
Net loss	\$ (8,048)	\$ (8,356)
Other comprehensive (loss) income, net of tax:		
Unrealized (losses) gains on investment securities available-for-sale:		
Unrealized losses arising during the period, net of tax (benefit) expense of \$(322) and \$55, respectively	(506)	87
Other comprehensive loss (income)	(506)	87
Comprehensive loss	\$ (8,554)	\$ (8,269)

15. Other Noninterest Expense

Other noninterest expense for the years ended December 31, 2008, 2007 and 2006 in the Consolidated Statements of Operations includes (in thousands):

	2008	2007	2006
Insurance	\$ 113	\$ 78	\$ 2
Meals and entertainment	94	64	14
Marketing	38	53	39
Travel	36	41	34
Subscriptions, dues, and memberships	63	40	3
Other outside services	148	30	-
FDIC assessments	70	1	-
Other expense	177	99	40
Total noninterest expense	\$ 739	\$ 406	\$ 132

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

16. Atlantic Capital Bancshares, Inc. (Parent Company Only) Financial Information

Balance Sheets

	December 31	
	2008	2007
	<i>(In Thousands)</i>	
Assets		
Cash	\$ 2,099	\$ 18
Federal funds sold	—	2,339
Other assets	—	—
Investment in subsidiary	103,867	110,840
Total assets	\$ 105,966	\$ 113,197
Liabilities and stockholders' equity		
Other liabilities	\$ —	\$ 224
Total liabilities	—	224
Stockholders' equity:		
Common stock	12,533	12,533
Additional paid-in capital	112,252	110,705
Retained deficit	(18,399)	(10,351)
Accumulated other comprehensive income, net	(419)	87
Treasury stock	(1)	(1)
Total stockholders' equity	105,966	112,973
Total liabilities and stockholders' equity	\$ 105,966	\$ 113,197

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

**16. Atlantic Capital Bancshares, Inc. (Parent Company Only) Financial Information
(continued)**

Statements of Income ⁽¹⁾

	Year Ended December 31	
	2008	2007
	<i>(In Thousands)</i>	
Income:		
Interest income	\$ 53	\$ 75
Other income	–	498
Total income	<u>53</u>	<u>573</u>
Expense:		
Professional fees	60	18
Other expense	27	5
Total expense	<u>87</u>	<u>23</u>
Income before income tax expense and equity in undistributed earnings from subsidiary	(34)	550
Income tax expense	–	214
Income before equity in undistributed losses of subsidiary	<u>(34)</u>	<u>336</u>
Equity in undistributed loss of subsidiary	(8,014)	(8,692)
Net income	<u>\$ (8,048)</u>	<u>\$ (8,356)</u>

(1) There was no income or expense related to Atlantic Capital Bancshares, Inc. (Parent Only) for the year ended December 31, 2006.

Atlantic Capital Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

**16. Atlantic Capital Bancshares, Inc. (Parent Company Only) Financial Information
(continued)**

Statements of Cash Flows

	Year Ended December 31		
	2008	2007	2006
	<i>(In Thousands)</i>		
Operating activities			
Net loss	\$ (8,048)	\$ (8,356)	\$ (1,995)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Equity in undistributed earnings of subsidiary	8,014	8,692	1,995
Decrease (increase) in other assets	–	1	(1)
Decrease (increase) in other liabilities	(224)	224	–
New cash (used in) provided by operating activities	(258)	561	(1)
Investing activities			
Capital contributions to subsidiary	–	(120,426)	–
Net cash used in investing activities	–	(120,426)	–
Financing activities			
Proceeds from other borrowings	–	2,241	–
Repayments of other borrowings	–	(2,241)	–
Net proceeds from issuance of common stock	–	122,223	1
Acquisition of treasury stock	–	(1)	–
Net cash provided by financing activities	–	122,222	1
Net (decrease) increase in cash and cash equivalents	(258)	2,357	–
Cash and cash equivalents, beginning of year	2,357	–	–
Cash and cash equivalents, end of year	\$ 2,099	\$ 2,357	\$ –