April 16, 2010

To our shareholders:

We are pleased to report that Atlantic Capital earned $0.7 million in the first quarter of 2010, our first full quarter of profitability. After commencing business in May of 2007, we began the process of building our business client by client and are now producing sufficient income to make a reasonable profit in our third year of operation, as anticipated, despite the persistence of difficult economic conditions. Your company is well positioned for further success as the nascent recovery spreads from Wall Street to Peachtree Street and beyond over the next few months.

1st Quarter Financial Results

Average net loans grew 41.5% to $589.2 million and average total deposits were up 51.1% to $570.5 million from the first quarter of 2009 as our bankers added new clients in each of our market segments. An impressive and growing group of over 225 corporate and more than 325 private clients is the bedrock of our business. We work hard to deliver innovative ideas and services, attentive customer care, and the seasoned expertise of our talented bankers to retain these clients and add new ones.

Net interest income before provision for loan losses was $5.1 million in the first quarter of 2010 compared to $3.4 million in 2009's initial period on higher loan and securities volumes and yields, an improved deposit mix, and lower average deposit costs. Non-interest income was $0.3 up from $0.1 million on higher service charges, foreign exchange income, and gains on the sale of securities.

Provision for loan losses for the quarter declined to $0.2 million from $0.5 million last year. As you recall, we built our loan loss reserves aggressively during 2009 while the economy weakened. With the economy beginning to recover and credit risk stabilizing, we believe our substantial reserve of $10.7 million, or 1.83% of loans, is adequate. We recorded no loan charge-offs during the quarter and the reserve was 383% of non-performing loans at quarter end. Atlantic Capital's credit quality remains among the best in banking.

Superior credit quality, strong core deposit funding, ample contingent liquidity, and generous capital levels are the essential elements to building and maintaining a fortress balance sheet, one of our highest priorities. These strengths protect your investment, attract new business, and position us with strategic flexibility as we continue to develop your company.

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You may view our unaudited first quarter 2010 financial statements, along with a page of supplementary financial data, on a secure page on our website by following the instructions at the end of this letter. Charts comparing key financial metrics at Atlantic Capital to those at competitor and peer institutions will be added as those statistics become available. Audited financial statements for 2009 and 2008 are also available on the website, or in hard copy by request.

Economic and Business Outlook

Economic data suggest the severe economic contraction that began in 2007 reached its trough in the second half of 2009, and that a modest expansion in economic activity is underway. Financial markets are now functioning in a more orderly fashion, many large companies are reporting improved operating results, and the pace of deterioration in housing has been arrested.

Although US GDP has expanded for two consecutive quarters on inventory rebuilding, increased export sales, and higher industrial production, unemployment remains persistently high and consumer spending and new business investment are tepid. The recovery is vulnerable to adverse geopolitical events, new financial market dislocations, withdrawal of monetary policy support, and government policy misadventures.

Economic recoveries in the midst of persistent joblessness have historically been more modest than those with sharper rebounds in employment. Since World War II, jobless recoveries have resulted in average GPD growth of 2.5% in the first year while recoveries with significant job growth have produced GPD expansion of 6% on average. Accordingly, we expect the US economy to grow 2.5% to 3.0% this year in line with the applicable historical pattern and a broad consensus of economists.

The recession has affected metropolitan Atlanta more severely than most of the country. Unemployment has risen to 10.3% and there is considerable excess capacity in residential and commercial real estate. We have seen little improvement in local conditions and anticipate a prolonged and slow recovery here.

Most banks, including Atlantic Capital, will report little, if any, loan growth during the first quarter as the economic recovery has yet to filter through to small and midsized commercial enterprises. As new economic activity takes root, we expect loan demand and borrower performance to slowly improve over the next few months.

Commercial real estate remains a concern. Property values have fallen, rental income streams are soft, and capital available for refinancing is limited. Large volumes of commercial mortgage backed securities mature over the next few years and the limited capital flows to securitized markets will make refinancing of the underlying loans difficult. The likely result is further declines in property values as collateral is liquidated to repay loans.

Atlantic Capital's strategy in commercial real estate finance is to focus on strong and resilient borrowers with institutional caliber apartment, office, industrial, and retail properties. Approximately 85% of our commercial real estate loans are secured by income producing properties. Construction exposure is generally limited to build-to-suit type projects with strong credit tenants. Essentially all of our real estate loans carry personal or corporate guarantees as an additional potential source of repayment. In the absence of a robust market for permanent commercial mortgages, we expect to be able to refinance these loans as they mature in an orderly and sound fashion.

While we understand the risks in the environment and our particular vulnerabilities, we believe Atlantic Capital is appropriately positioned to continue to grow its business in a safe and profitable manner.

Strategic Opportunities

As we reported to you last quarter, our first strategic priority is to grow our business organically by adding new clients in each of our market segments and developing well rounded relationships with those clients to include sound credit, treasury management services, and stable core deposits.

Our second strategic priority is to consider opportunities to accelerate our development by making acquisitions, investing in new southeastern markets, or adding new capabilities. We received regulatory approval to offer our clients basic interest rate and currency risk management services during the first quarter and expect that capability to begin to add new non-interest income soon.

We regularly assess other expansion opportunities. Considerable media and investor interest has been directed toward opportunities to acquire failed banks with FDIC loss sharing assistance. There is potential to book gains from the resolution of these troubled institutions: however, this resolution work could distract us from our primary mission. Further, we have not yet indentified clear benefits for the development of our business in any of these situations.

Significant consolidation activity is likely among comparatively healthy small to midsized financial services businesses as many of these companies realize that they are not properly positioned for growth in the years ahead. We may find attractive opportunities to add new clients, integrate new capabilities, and strengthen our business as these prospects emerge.

As we look at these companies, we will carefully evaluate the strategic or business rationale of the prospective combination, our capacity to integrate and manage the resulting business, the potential financial and operating returns and risks, and how to finance and capitalize the acquisition in a shareholder friendly fashion.

We are grateful that many of you have moved your banking business to Atlantic Capital and referred others to us. For those of you still banking elsewhere, remember that the most important thing you can do to help us is to move your business to Atlantic Capital.

You should have recently received by mail proxy materials including an invitation to our annual shareholders meeting on May 20th at 11:00 am at the Grand Hyatt Atlanta. We hope to see you there.

Thanks for your continued confidence in our team. Your suggestions, comments, and questions are always welcome.

Sincerely,

Douglas L. Williams
President and Chief Executive Officer

Walter M. Deriso, Jr.
Chairman of the Board

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