

ATLANTIC CAPITAL

BANCSHARES

July 28, 2010

To our shareholders:

The economic recovery lost some of its earlier momentum during the second quarter with tentative consumer spending and business investment, limited private sector job creation, and growing concern about the costs of new government regulation and higher taxes. Against that backdrop, Atlantic Capital recorded its second consecutive quarter of profitability and continued to build a fortress balance sheet. Net earnings were \$0.8 million for the second quarter and \$1.5 million for the first half of 2010.

2nd Quarter Financial Results

Average gross loans increased 25% to \$595.6 million and average deposits were up 42% to \$607.2 million since the second quarter of 2009 as we continued to build share in each of our market segments. We now do business with over 240 corporate clients and 360 private client households. In a highly competitive business, the seasoned expertise of our bankers, innovative and easy to use technology, attentive customer care, and financial strength are powerfully distinctive.

Net interest income before provision for loan losses was \$5.4 million, a year over year increase of 23% on higher loan and securities volumes and lower deposit costs. Yields on earning assets declined as deposit growth outpaced loan growth resulting in higher levels of low yielding short term investments. Non-interest income was up 122% to \$0.3 million on higher service charges and income from foreign exchange and interest rate risk management services.

The provision for loan losses was \$0.7 million compared to \$2.5 million in last year's second quarter. Last year, we aggressively built our loan loss reserves to address two problem credits and to recognize higher levels of risk in our portfolio as the economy deteriorated. During the second quarter, we recorded a final \$1.4 million charge-off of the larger of these two problem credits while maintaining a very healthy reserve of \$10 million or 1.71% of total loans and 32.6x our remaining non-performing loan balance.

Atlantic Capital's credit quality, consistently among the best in banking over the last three years, is improving as the economy recovers. At quarter end, non-performing loans were only \$0.3 million or 0.05% of the portfolio, and we had no other past due loans. We continue to focus on building reliable core deposit funding, substantial liquidity, and generous capital levels.

Along with credit quality, these are the essential elements of maintaining and building a fortress balance sheet to attract new business, protect and grow your investment, and continue to develop your company.

You may view our unaudited second quarter financial statements, accompanied by a schedule 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 selected competitor and peer institutions will be added as those statistics are available.

Economic and Business Outlook

Apprehension about the future of the recovery grew over the course of the second quarter as economic data were mixed, financial markets here and abroad suffered reverses, and businesses and consumers continued to reduce debt and build liquidity.

While the historically modest pace of economic expansion is likely to continue, sovereign debt problems in Europe, military tensions on the Korean peninsula, the prospect of slower growth in China, and concerns about persistently elevated unemployment, new regulatory costs, and higher taxes in the United States are stifling new business investment and consumer spending. Adjustment to these factors is uneven throughout the economy and this lingering dislocation raises the potential of a recessionary relapse. Sensible growth oriented economic policies and government spending and borrowing restraint are needed to promote a more vigorous, sustainable, and less risky recovery.

An indication of the fragility of the economic recovery is exceptionally weak loan demand. Most banks are reporting shrinking loan portfolios and historically low levels of usage under lines of credit. Other statistics report corporate balance sheets hold more cash than at any time since the Federal Reserve began to track these figures in 1952.

Finding high quality loan opportunities has been difficult and our loan growth and the pace of new client acquisitions have slowed considerably this year. Our challenge is to continue to build our business without sacrificing our superior record of credit quality.

Growth in the value of your shares will come by producing a reasonable rate of reliable earnings growth coupled with preservation of a fortress balance sheet. Since beginning this enterprise three years ago, we have made good progress on these dimensions despite the most difficult banking environment in generations. The entire Atlantic Capital team is determined to build on this initial success and fashion one of the best financial institutions in the southeast.

We appreciate your support and remind you that the best thing you can do to enhance the value of your investment is to move your banking business to Atlantic Capital today and encourage your friends and associates to do likewise.

Your questions, comments, and suggestions are always welcome.

Sincerely,



Douglas L. Williams
President and Chief Executive Officer



Walter M. Deriso, Jr.
Chairman of the Board

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