

October 18, 2010

To our shareholders:

Economic conditions remained weak over the last quarter with soft demand, lethargic income growth, excess capacity, and persistently high unemployment. Despite these challenges, Atlantic Capital earned \$1.0 million during the third quarter and has recorded net income of \$2.5 million through the first nine months of 2010.

### **3rd Quarter Financial Results**

Net interest income before provision for loan losses was \$5.7 million, an increase of 21.7% over the third quarter of 2009 on higher loan and securities volumes, improved loan yields, and lower deposit costs offset by declining securities yields.

Average gross loans were up 10.4% over the third period of last year. This slowing pace of growth reflects declines in commercial loan volumes throughout the banking system and very weak new loan demand. Borrowers continue to reduce debt and investors are reluctant to commit new capital in an economic environment of considerable uncertainty.

Average deposit balances grew 28.3% over the last year. As these balances have grown, the low level of prevailing interest rates in the money markets and corresponding trends in bank deposit pricing have enabled us to pare our deposit costs. While we remain competitive in deposit pricing, this reduction in costs has resulted in expansion of our net interest margin.

Non-interest income increased over 300% from the prior year quarter on higher service charges, loan fees, foreign exchange income, and interest rate swaps revenue.

Contrary to general trends in our industry, revenue is growing at Atlantic Capital from an aggressive campaign to win the business of the best middle market companies in Georgia from the largest banks. We compete distinctively and effectively against these large national and regional players with the expertise of seasoned bankers, innovative and easy to use technology, and attentive customer care.

The provision for loan losses was \$0.7 million for the quarter compared to \$3.9 million during the same period last year. While our credit quality has generally improved over the last few months and we did not incur any loan losses during the quarter, we remain apprehensive about the course of the economy and its effect on our borrowers. Given that perspective, we have chosen to maintain a substantial allowance for loan losses of \$10.7 million or 1.75% of total loans and 46.3x our non-performing loan balance.

This combination of sound loan and deposit growth, an improved net interest margin, increased non-interest income, and superior credit quality has resulted in steady profit performance through the first nine months of 2010. We will continue to produce improving results if we can sustain these favorable operating trends.

You may view our unaudited third 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**

The pace of economic expansion has slowed over the last few months as early recovery stage inventory restocking, stimulus spending, tax credits, and transfer payments have run their course. US GDP grew 1.7% in the second quarter of 2010, well below historic recovery patterns, and we expect a similar trajectory in the US and other mature economies over the next two to three quarters.

This sluggish pace of expected growth reflects soft demand and excess capacity throughout the economy. Consumers are reluctant to spend with modest income growth, persistently high unemployment, and depressed residential property values. In turn, businesses are disinclined to invest capital in new projects and hire additional workers without stronger order flows and higher capacity usage.

The personal savings rate has increased from less than 2% to close to 6% over the last couple of years, and corporations hold record amounts of cash. Individuals and business enterprises are focused on reducing debt and repairing balance sheets as the economy continues to recover from the excesses of a long and speculative cycle of economic expansion. This process of correction will delay any meaningful rebound in economy activity for some time.

The federal government, and those at state and local levels, will be constrained in any attempts to stimulate the economy because of massive debt levels and falling tax revenues. In any case, government stimulus spending has only temporary effect and will not hasten correction and recovery.

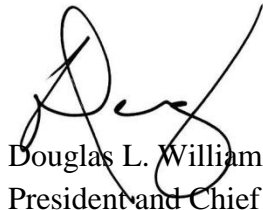
Efforts by the Federal Reserve and other central banks toward further monetary accommodation will be helpful to borrowers by keeping interest rates low, will ensure a receptive market for new government debt issuance, and will maintain high levels of systemic liquidity for the orderly functioning of markets. Otherwise, these accommodations will hedge deflationary forces and add modest stimulus to the economy.

As excesses are corrected over the longer term, we expect growth to accelerate to historic trends, a return of inflationary pressures, and higher interest rates. Until that time, the environment will continue to be a treacherous one in which to build a banking business. Atlantic Capital will remain selective in adding new clients and will grow its business in a sound and disciplined fashion.


We know that growth in the value of your shares will come by developing a reasonable rate of reliable earnings growth while keeping our balance sheet strong. You can help us by moving your banking business to Atlantic Capital and encouraging your friends and associates to do the same.

Thank you for your support. As always, we welcome your questions, comments, and suggestions.

Sincerely,



Douglas L. Williams  
President and Chief Executive Officer

  
Walter M. Deriso, Jr.  
Chairman of the Board