

ATLANTIC CAPITAL BANK

August 17, 2009

To our shareholders:

Atlantic Capital made good progress building its business in the second quarter despite the broadening effects of the worst economic contraction in generations. Total assets grew to \$610 million from \$543 million at the end of the prior quarter, credit quality and capitalization levels remained strong, and we narrowed our operating loss as we continued our drive to reach profitability as originally anticipated next year.

We also initiated a second round of capital raising to increase our flexibility to pursue the extraordinary expansion opportunities we believe are developing in this period of historic dislocation in the financial services industry.

2nd Quarter Financial Results

Loans increased over \$70 million in the quarter to \$506.7 million. The composition of our portfolio reflects our sharp focus on middle market corporations (45%), top tier commercial real estate developers and investors (47%), and private clients, including principals of our commercial clients (8%).

Our borrowers continue to perform satisfactorily in the midst of a deteriorating economic climate. Most of our clients have aggressively managed the flat to declining revenue comparisons common to recessionary periods by paring costs and building liquidity while a few are struggling to adjust to this challenging business environment.

Our credit quality is exceptionally strong. At quarter end, we reported no non-performing assets, no loan charge offs, and no foreclosed real estate. However, we do not expect this perfect record to endure forever and realize that even the best lenders will suffer losses in a deep and prolonged recession.

Accordingly, we continue to aggressively build our allowance for loan losses. The total allowance at quarter-end was \$8.6 million or 1.71% of loans, up from 1.40% at the end of the first quarter reflecting growth in the portfolio, higher levels of losses anticipated in corporate and commercial real estate lending across our industry, and weaker performance of a very few of our borrowers.

Average deposits during the quarter grew 14% to \$429.1 million as corporate and institutional clients moved their operating accounts to Atlantic Capital. Quarter-end deposit balances were down from the average to \$384.3 million as certain financial institutions clients moved funds out of their accounts for quarter-end reporting purposes. Most of these funds returned to us in the days immediately after the end of the quarter. Continued growth in core relationship deposits to ensure sound funding and liquidity is one of our primary objectives.

Net interest income before loan loss provision was \$4.3 million, a 28% increase from the first quarter and more than double that of the second quarter of 2008 as loans and investment securities increased and the net interest margin widened. Our net loss was \$2.9 million including \$2.5 million in loan loss provision. We continue to make steady progress in narrowing our operating loss.

You may review our unaudited second quarter financial statements on a secure page on our website by following the instructions at the end of this letter.

Capital Raise

We planned to raise as much as \$50 million in new equity capital at \$10-10.50 per share during the quarter to increase our flexibility to pursue expansion opportunities. We expected \$5-10 million of this total to come from our existing and a few new individual shareholders and the rest of the capital to come from institutional investors.

Individual investors responded well to our offering. At the close of the subscription period on August 14, 2009 we received subscriptions for more than \$7.4 million.

Our timing was bad for the institutional market as we began our offering shortly before the government announced the results of the stress test for large banks. These results forecast large loan losses over the next two years and indicated that several banks would exhaust their capital as a result of those losses. Many of these banks subsequently initiated new equity offerings at deep discounts to recent trading ranges.

As a result, we found institutional investors were unwilling to invest in a healthy banking company at a premium to book value. Although we could have sold shares at the discounted prices prevailing in the institutional market, we did not want to dilute the value of your shares. We believe there is a considerable appetite for our shares in the market and that we can raise capital from institutions when pricing better reflects value of growth companies.

While we are disappointed that we were not able to raise as much additional capital as planned at a favorable price, we are pleased that we were able to raise capital from our individual shareholders and anticipate closing and funding this offering during the third quarter.

Atlantic Capital continues to be one of the best capitalized banking companies in America. At June 30, 2009, our Tier 1 common equity ratio was approximately 18% which gives us substantial capital to continue our growth and development.

A Look Ahead

Atlantic Capital is making good progress and is advantageously positioned to meet its near and longer term objectives. We expect to reach profitability, according to our original plan, in 2010 and become, over time, a leading southeastern corporate bank.

Our competition is distracted, wounded, and unlikely to recover anytime soon. We are taking business from them and now have 160 corporate clients, 36 commercial real estate relationships, and over 275 private client households, and we are steadily adding more. Our bankers are using their considerable financial expertise and experience, competitive capabilities, and substantial capital to design tailored solutions to help our clients meet the financial challenges of these difficult times.

While we expect further weakness in the economy and higher levels of risk in our loan portfolio over the next few quarters, our focused business strategies and superior risk management skills should produce comparatively strong credit quality results through this business cycle and beyond.

You can count on us to maintain capitalization levels that will protect your investment and give us the strategic flexibility we need to continue to develop our business and seize opportunities in the market.

We do not seek size for the sake of size or to increase the scope of our business for any other reason than to enhance the value of your investment.

Remember that the best thing you can do to enhance the value of your investment is to move your banking business to Atlantic Capital. Please call us today.

Our annual shareholders meeting, held in May of last year, was delayed this year to accommodate the timing of our equity offering. We invite you to join us at our second annual shareholders' meeting on Tuesday, September 15, 2009, at 11:00 a.m. at the Grand Hyatt Hotel at 3300 Peachtree Road in Atlanta. You will receive by mail the proxy materials for the annual meeting. You may vote your shares by proxy as specified in the materials if you do not plan to be at the meeting.

Thank you for the trust you have in us. As always, we encourage your comments, questions, and suggestions.

Sincerely,

Douglas L. Williams
President and Chief Executive Officer

Walter M. Deriso, Jr.
Chairman of the Board

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