

ATLANTIC CAPITAL

BANCSHARES

January 26, 2009

To our shareholders:

Atlantic Capital recorded solid results in the fourth quarter of 2008 despite severe disruption in financial markets and further deterioration in economic conditions. With strong capital, sound asset quality, and solid funding and liquidity, your company is making good progress in its effort to become a fortress of strength and opportunity for its shareholders and clients.

Loans grew 24.7% from last quarter to \$400 million and total assets at quarter end were \$513 million. Total deposits increased 54.1% to \$346 million. Over 86% of average deposit balances during the quarter were from core client relationships.

Net interest income before loan loss provision was \$3.4 million, up 21% over the prior quarter on higher loan and securities balances offset by net interest margin compression as interest rates declined precipitously in December as a result of aggressive monetary policy action by the Federal Reserve. Our net loss for the period narrowed to \$1.4 million from \$2.0 million in the third quarter.

As we have explained to you in earlier reports, a substantial portion of our net loss is loan loss provision. In fact, our operating results were at breakeven in the fourth quarter before recording the non-cash loan loss provision. While this level of provision is a prudent and appropriate practice in recognition of the risk inherent in the lending business, the condition of our loan portfolio is sound with no past due loans, no non-performing loans, no charge-offs, and no real estate owned through foreclosure.

Summarized unaudited financial statements and supplementary data for the fourth quarter are available on a secure page at www.atlanticcapitalbank.com. Instructions on how to access this information are included at the end of this letter.

You may have read press reports that we decided not to participate in the U. S. Treasury's Capital Purchase Program under the Troubled Asset Relief Program (TARP). While we think the program has helped support and stabilize the troubled banking sector, we did not think it was a good idea for us.

Atlantic Capital is one of the most generously capitalized banks in the United States with a Tier I capital to average asset ratio of over 24% at year end compared to a regulatory minimum of 5% for a well capitalized institution. The amount available to us under the TARP, approximately \$9 million, was not enough to materially change our capitalization profile. At the 5% initial dividend rate, this capital would have been our most expensive funding from a net interest margin perspective.

Most importantly, under the required agreements, the Treasury can impose significant conditions on TARP recipients which could limit our operating flexibility going forward. In short, we simply did not need the money and were not comfortable with the risk of having the government as a shareholder.

As 2009 begins, the operating environment looks particularly difficult. Short term interest rates are at historic lows and the economy continues to weaken. We intend to grow our business at a steady and prudent pace, maintain superior credit quality, and significantly narrow our loss-making this year with a solid profit expected in 2010.

In order to achieve these goals, we must stay focused on new relationship development, sound loan growth, low cost core deposit expansion, and good expense management.

Our banking teams are building a reputation for quality service and good ideas as our business expands. We now have 130 corporate customers, over 25 top tier commercial real estate borrowers, and more than 425 private clients. We expect our market presence to continue to grow in the months ahead as companies and individuals re-evaluate their banking relationships and consider new providers.

Sound credit quality has become a hallmark of Atlantic Capital. Our strategy has been to focus on segments of the market which tend to perform better through economic cycles and to employ sound and consistent credit and risk management practices.

An example of this approach is in our commercial real estate finance business. The recession and capital markets turmoil will likely cause further deterioration in commercial property values and cash flow and make refinancing difficult for many borrowers.

In view of that expectation, we have limited our real estate lending to a select group of high quality borrowers with significant financial strength and flexibility active only in office, multifamily, industrial, and retail property types. Over 70% of our loans are secured by stabilized income producing properties. The limited amount of construction commitments, development loans, and corporate lines of credit in this real estate portfolio are to strong borrowers with soundly underwritten projects.

Our corporate and real estate bankers have made good progress in building core deposit relationships by combining the capabilities of *Atlantic Capital Direct*, our highly competitive corporate cash management platform, with attentive customer service. We are now a primary operating bank for over 85% of our commercial clients.

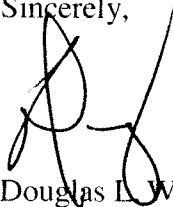
Private Banking continues to be an important source of core deposit relationships as well. Our bankers are adding business from our shareholders, the principals of our commercial clients, professional firms, and our friends. We offer the expertise of experienced bankers, flexible personalized service, and competitive on-line capabilities.

Remember that the best way you can help us meet the challenges ahead is to move your banking business to Atlantic Capital today. Please call us now for superior service and the safety of a sound financial institution.

Since Atlantic Capital opened for business in May of 2007, each quarter has presented challenges more significant than the last. The scope of turmoil in financial markets has reached levels unseen in generations and the developing economic contraction will likely be one of the deepest in the post World War II era. We anticipate these challenges with a seasoned team, focused business strategies, sound risk management practices, and ample capital.

Thank you for your support and confidence. We welcome your questions, comments, and suggestions.

Sincerely,



Douglas L. Williams
President and Chief Executive Officer



Walter M. Deriso, Jr.
Chairman of the Board

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