

October 28, 2011

To our shareholders:

Economic activity during the third quarter improved modestly from earlier in the year, but remained weak. While the business environment was unfavorable, Atlantic Capital continued its progress and recorded solid growth in revenue and core earnings. A significant addition to the loan loss reserve to position us to resolve a previously identified troubled commercial real estate credit relationship suppressed net income to \$0.3 million, or \$0.02 per share.

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

Net interest income before provision for loan losses was \$6.1 million, an increase of 7.5% over the comparable quarter of 2010 on higher average loan volume and an improved net interest margin. Period end loan balances increased 6.3% from the second quarter despite a continued trend of loan payouts as some of our commercial real estate and large corporate borrowers opportunistically refinanced in long term debt markets at historically low interest rates. Our bankers have added 70 new borrowing relationships year to date in corporate banking, commercial real estate finance, and private banking. Through the first three quarters of 2011, we extended \$204 million in new credit commitments with \$122.7 million in new loan outstandings.

Average deposits were up 6.3% from the prior year and were flat compared to the second quarter. The mix of deposits continues to improve with 22% of deposits in non-interest bearing demand deposit or other transaction accounts. The average cost of deposits declined to 0.52% from 0.71% a year earlier. We have added 72 new or expanded commercial treasury management and depository relationships this year. Over 90% of our commercial clients now use our treasury management and depository services.

Non-interest income grew 29.5% from a year ago on higher service charges, loan and letter of credit fees, and foreign exchange and interest rate swaps income. As the US Dollar has weakened compared to the currencies of our major trading partners, more of our clients are doing business abroad resulting in growth in fees from foreign exchange transactions. Historically low interest rates have provided many of our borrowers an opportunity to fix interest rates at attractive levels through our interest rate swap capabilities.

Banking analysts measure earnings before taxes and loan loss provision as an indication of core earnings strength and sustainability. Atlantic Capital produced pre-tax, pre-provision earnings of \$2.3 million for the quarter and \$6.8 million for the year to date, up 35% and 67% respectively over last year.

The provision for loan losses was \$1.9 million for the quarter and \$4.3 million for the year to date, increases of more than 170% over the comparable periods reflecting our work on a single troubled commercial real estate credit relationship. You will recall we charged off \$2.5 million of a \$6.6 million loan under this guarantor relationship and placed the resulting \$4.1 million balance on non-accrual status in the first quarter. Deterioration in property performance and collateral values on our two other loans guaranteed by this same sponsor became apparent over the last quarter and we now anticipate substantial initial losses on those loans as we work toward resolution of these credits in the fourth quarter of this year.

At quarter end, the allowance for loan losses was \$13.7 million, or 2.04% of loans. Additional provisioning during the fourth quarter will position us to charge off these loans and end the year with an ample allowance and the exceptionally strong credit quality that is characteristic of Atlantic Capital. With the exception of this single relationship, trends in the loan portfolio have been positive and we are confident that our credit quality will remain among the best in banking.

You may view our unaudited third quarter financial statements, along with a schedule of supplementary financial data, on our website by following the instructions at the end of this letter. Charts comparing our performance to that of regional competitors and national business model peers will be added as that information becomes available.

### **Economic and Business Outlook**

The history of economic cycles accompanied by major financial upheavals suggests that the US and other industrialized nations are likely to experience an extended period of subdued economic activity. High unemployment levels and declining home equity values have weakened consumer demand and spending and limited growth in personal income. The lengthy, complex, and painful process of correcting the excessive consumer and public sector debt accumulated during a decade of speculation and easy credit is underway, but far from complete.

With the outlook for prolonged economic weakness, we expect anemic loan demand, continued vulnerability to credit risk, and intense competition as banks focus on more limited business opportunities.

The banking environment of the last four years has been more challenging than any in our careers and unlike any seen in the US since the Great Depression. Despite these obstacles, we have accomplished many of our objectives:

- We protected the value of your investment – a rarity for bank investments today.
- We built a sound bank with superior credit quality, generous liquidity, solid core deposit funding, and strong capital.
- We achieved sustained profitability, on schedule, in three years.
- We created a competitive advantage based on the expertise and creativity of our people.
- We built strong and enduring relationships with an impressive and growing array of commercial and private clients.

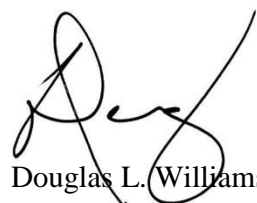
However, some of our key objectives remain unmet. We have yet to reach the size envisioned for our infrastructure. Low interest rates, substantial loan-loss reserve expense, and competitive pressures have limited profit expansion and returns. A poor market for bank equities has delayed the opportunity to develop liquidity and a premium market value for your shares.

Our talented team of bankers and other professionals is working hard to build on our successes and meet all of our objectives.

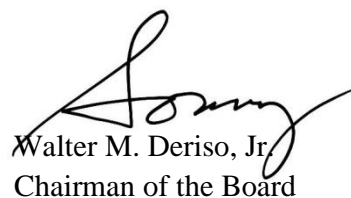
The best thing you can do to help us is to move all of your banking business to Atlantic Capital today and encourage your friends and business associates to do likewise.

Thank you for your confidence in our team. We welcome your questions, comments, and suggestions.

Sincerely,



Douglas L. Williams  
President and Chief Executive Officer



Walter M. Deriso, Jr.  
Chairman of the Board