

January 28, 2011

To our shareholders:

The pace of economic recovery in 2010 was uneven with modest improvement in the consumer, manufacturing, and services sectors and continued weakness in housing and employment. Atlantic Capital successfully navigated these cross-currents and produced its first annual profit while continuing to build a fortress balance sheet for the challenges and opportunities ahead. Reported net income, including a one-time \$9.3 million tax benefit from losses in prior periods, was \$12.7 million or \$0.96 per share. Core pre-tax earnings were \$3.4 million or \$0.26 per share for the year.

2010 Financial Results

Net interest income before provision for loan losses was \$22.2 million, an increase of 26.8% over the prior year on higher loan and short-term investment volumes and an improved net interest margin. Gross average loans grew 20.3% from 2009 despite weak new loan demand, continued deleveraging throughout the economy, and a highly selective posture toward new borrowers at Atlantic Capital.

Average deposits were up 15.3% compared to the prior year paced by the addition of new corporate treasury management clients. The mix of deposits improved and funding costs were lowered with these new operating accounts. At year end, transaction account balances (demand deposit and interest-bearing checking accounts) comprised over 24% of total deposits and the average cost of deposits during 2010 was 0.74%, a decline of 16.7% over the prior year.

Non-interest income grew 231% to \$1.6 million on new income from interest rate swaps and foreign exchange and increased service charges on an expanded corporate treasury management business.

The provision for loan losses was \$2.8 million bringing the total allowance for loan losses to \$11.9 million, or 1.83% of loans and 138.7x our non-performing loan balance. Net loan charge-offs were \$1.4 million, or 0.23% of average loans. These credit quality statistics remain among the best in banking, but will be difficult to sustain at these pristine levels in future periods given continuing softness in the commercial real estate sector.

Solid core relationship deposit funding, superior credit quality, and substantial short-term investment and securities balances give Atlantic Capital the strong balance sheet needed to weather continued challenges in the economy and position us to address new growth opportunities as they develop.

You may view our unaudited fourth quarter and annual 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 of selected competitor and peer institutions will be added as soon as these statistics are available. Audited financial statements for 2010 will be available later this spring.

Economic and Business Outlook

After growing slowly over the first half of 2010, the economy strengthened in the third and fourth quarters. Export sales grew and the manufacturing and service sectors of the economy moved firmly into expansion territory. Consumer spending increased modestly, but was limited as consumers repaid debt, unemployment was stubbornly high, and housing prices continued to decline in some markets, including metropolitan Atlanta.

The economic outlook for 2011 is brighter than it has been at any time since we began this business in mid 2007, but is still expected to fall short of rates of growth seen in most post World War II recoveries. Forecasts for US GDP growth range from a conservative 2.5% to an optimistic 4.0% as we begin the year. New tax and stimulus legislation and the Federal Reserve's new round of monetary accommodation should provide added lift to the economy.

Private sector employment growth and new investment appear concentrated among larger companies, particularly those with a significant international component to their business. While the confidence level of small to midsized company owners and executives is improving, revenue growth, profit improvement, staff additions, and new capital spending are lagging that of larger concerns.

The Atlanta region has been hit particularly hard by the recession and is struggling to recover. Unemployment remains persistently above national averages and population growth has slowed to rates not seen for 50 or 60 years. Speculative building in residential and commercial sectors has resulted in substantial over-capacity in houses, residential lots, and commercial facilities. It will take several years to absorb this capacity at current employment and population growth rates and for property values and lease rates to recover to pre-recession levels.

With modest improvement expected in the US economy, global growth will continue to be paced by the rapidly expanding economies in Asia, particularly China and India, where favorable demographic trends and infrastructure development are driving consumption and investment.

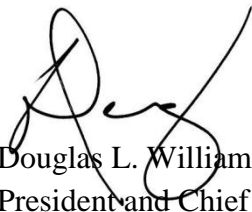
While vulnerabilities from potential European sovereign debt defaults, competitive currency devaluations, geopolitical tensions, and US federal, state, and local government fiscal challenges could derail the recovery, we expect healthier economic conditions locally and nationally which should result in a generally improved business climate and better loan demand during 2011. Credit quality trends, however, will be mixed with improving performance in the corporate sector and lingering difficulties in commercial real estate.

Atlantic Capital is well positioned for further progress and good results in 2011 with momentum in the market, the expertise of a seasoned team of bankers, competitive services, and a sound financial condition.


Your support has been a vital element in our success so far. We remind you that the most important thing you can do to enhance the value of your shares is to move your banking business to Atlantic Capital today if you have not already done so and to encourage your friends and associates to do likewise.

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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2. Click **About Us**, **Investor Relations** and **Secure Content**
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