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EXECUTIVE OVERVIEW AND EARNINGS SUMMARY

Atlantic Capital Bancshares, Inc. (NASDAQ:ACBI) announced net income of $8.2 million, or $0.31 per diluted share, for the second quarter of 2018, compared to $5.0 million, or $0.19 per diluted share, in the first quarter of 2018. Operating net income for the second quarter of 2018, excluding the gain on sale of Southeastern Trust Company, was $6.9 million, or $0.26 per diluted share, compared to $5.0 million, or $0.19 per diluted share, in the first quarter of 2018.

Second Quarter Highlights

- Reported return on average assets of 1.20% and return on average equity of 10.46%.
- Reported net interest margin of 3.54%, an increase of 3 basis points from the first quarter of 2018.
- Reported nonperforming assets to total assets of 0.14% and annualized net charge-offs to average loans of 0.03%.
- Closed on the sale of Southeastern Trust Company in the second quarter of 2018 and recorded a net gain of $1.7 million.
- Decreased noninterest expense $1.0 million to $17.4 million compared to the first quarter of 2018.
- Improved efficiency ratio to 67.7% compared to 72.1% in the first quarter of 2018.

“As a result of higher loan yields, excellent credit quality, disciplined expense control, and good growth in our Atlanta market and specialty businesses, Atlantic Capital reported record earnings for the second quarter of 2018,” explained Douglas Williams, President and Chief Executive Officer.

Result of Operations

Net interest income increased to $22.1 million in the second quarter of 2018 from $21.6 million in the first quarter of 2018, primarily as a result of higher loan yields from increases in short term interest rates. Net accretion income on acquired loans totaled $331,000 in the second quarter of 2018 compared to $448,000 in the first quarter of 2018.

Net interest margin was 3.54% in the second quarter of 2018, an increase of 3 basis points from the first quarter of 2018. The accretion from the acquired loan discount and amortization of time deposit premium contributed 7 basis points to the net interest margin in the second quarter of 2018 compared to 9 basis points in the first quarter of 2018.

Loan yields in the second quarter of 2018 increased 21 basis points to 4.95% from the first quarter of 2018 as a result of the increases in the federal funds rate and 1 month LIBOR, offset by a decrease in accretion income. Accretion income contributed 7 basis points to the loan yield in the second quarter of 2018 compared to 9 basis points in the first quarter of 2018.

The cost of total deposits in the second quarter of 2018 was 0.69%, an increase of 12 basis points from the first quarter of 2018. The cost of interest bearing deposits increased 16 basis points to 0.97% from the first quarter of 2018, driven by an increase in short term interest rates and increases in our deposit rates.

The provision for loan losses was ($173,000) in the second quarter of 2018 compared to $772,000 in the first quarter of 2018, primarily as a result of a decrease in loan balances, a lower level of net charge-offs, and improved credit quality.

Noninterest income totaled $5.3 million in the second quarter of 2018, an increase of $1.3 million from the first quarter of 2018. The second quarter included a gain of $1.7 million from the sale of Southeastern Trust Company and a loss of $169,000 from the disposal and sale of fixed assets related to the relocation of our Atlanta headquarters.

(1) Commentary is on a fully taxable-equivalent basis unless otherwise noted. Consistent with SEC guidance in Industry Guide 3 that contemplates the calculation of tax-exempt income on a tax equivalent basis, net interest income and net interest margin are provided on a fully taxable-equivalent basis, which generally assumes a 21% marginal tax rate for 2018 and 35% for 2017 and prior. We provide detailed reconciliations in the Non-GAAP Performance and Financial Measures Reconciliation table beginning on page 12.

Service charges increased $116,000 primarily from an increase in account analysis and other fees. SBA income decreased $305,000 from $1.3 million in the first quarter of 2018.

Noninterest expense totaled $17.4 million in the second quarter of 2018 compared to $18.4 million in the first quarter of 2018. Salaries and employee benefits expense

decreased by $1.2 million to $10.9 million, primarily from a decrease in severance related expense. This was offset by an increase of $128,000 in professional fees, mainly related to the sale of the trust company. In addition, other noninterest expense in the second quarter of 2018 included a $228,000 impairment on an SBIC investment.

Total loans were $1.94 billion at June 30, 2018, a decrease of $24.3 million from March 31, 2018, as commercial and industrial loans decreased $26.2 million during the quarter, primarily due to decreases in the Tennessee commercial market and an accelerated level of syndicated loan payoffs.

At June 30, 2018, the allowance for loan losses was $19.6 million, or 1.01% of loans held for investment, compared to $19.9 million, or 1.01% of loans held for investment as of March 31, 2018. Annualized net charge-offs to average loans totaled 0.03% in the second quarter of 2018 compared to 0.05% in the first quarter of 2018. Nonperforming assets totaled $3.7 million, or 0.14% of total assets, as of June 30, 2018, compared to $3.4 million, or 0.13% of total assets, as of March 31, 2018.

Total average deposits for the second quarter of 2018 were $2.14 billion, a decrease of $18.1 million from the first quarter of 2018. This decrease was the result of seasonal volatility in deposits for our Payments business along with a decrease in brokered deposits. Average transaction deposits, which includes DDA and NOW accounts, increased $29.6 million in the second quarter of 2018, compared to the first quarter.

About Atlantic Capital Bancshares

Atlantic Capital Bancshares, Inc. is a $2.69 billion publicly traded bank holding company headquartered in Atlanta, Georgia. Atlantic Capital offers banking, treasury management, capital markets and mortgage services to privately held companies and individuals in Atlanta, eastern Tennessee, and northwest Georgia. Atlantic Capital also provides specialized financial services to select clients nationally.

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