BANKATLANTIC BANCORP INC
Form 10-Q
May 13, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission files number 001-13133

BankAtlantic Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Florida	**65-0507804**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2100 West Cypress Creek Road Fort Lauderdale, Florida	**33309**
(Address of principal executive offices)	**(Zip Code)**

(954) 940-5000

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. x YES ¨ NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ YES ¨ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ YES x NO

Indicate the number of shares outstanding of each of the issuer s classes of common stock as of the latest practicable date.

Title of Each Class	Outstanding at May 4, 2011
Class A Common Stock, par value $0.01 per share	61,980,071
Class B Common Stock, par value $0.01 per share	975,225

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Part I. FINANCIAL INFORMATION

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION - UNAUDITED

(In thousands, except share data)	March 31, 2011	December 31, 2010
ASSETS		
Cash and due from banks	$ 103,507	97,930
Interest bearing deposits in other banks	656,424	455,538
Securities available for sale, at fair value	376,042	424,391
Investment securities, at cost which approximates fair value	1,500	1,500
Tax certificates, net of allowance of $9,287 and $8,811	77,837	89,789
Federal Home Loan Bank (FHLB) stock, at cost which approximates fair value	43,557	43,557
Loans held for sale	49,455	29,765
Loans receivable, net of allowance for loan losses of $155,051 and $162,139	2,821,429	3,018,179
Accrued interest receivable	20,601	22,010
Real estate held for sale	5,436	5,436
Real estate owned and other repossessed assets	75,146	74,488
Investments in unconsolidated companies	10,742	10,361
Office properties and equipment, net	148,120	151,414
Assets held for sale	36,909	37,334
Goodwill	13,081	13,081
Prepaid FDIC deposit insurance assessment	18,823	22,008
Other assets	12,020	12,652
Total assets	$ 4,470,629	4,509,433
LIABILITIES AND EQUITY		
Liabilities:		
Deposits		
Interest bearing deposits	$ 2,736,079	2,759,608
Non-interest bearing deposits	879,820	792,260
Deposits held for sale	390,432	341,146
Total deposits	4,006,331	3,893,014
Advances from FHLB	45,000	170,000
Securities sold under agreements to repurchase	17,006	21,524
Short-term borrowings	1,367	1,240
Subordinated debentures	22,000	22,000
Junior subordinated debentures	325,974	322,385
Other liabilities	61,681	64,527
Total liabilities	4,479,359	4,494,690
Commitments and contingencies		
Equity:		
BankAtlantic Bancorp s stockholders equity		
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued and outstanding		
Class A common stock, $.01 par value, authorized 125,000,000 shares; issued and outstanding 61,979,071 and 61,595,341 shares	620	616
Class B common stock, $.01 par value, authorized 9,000,000 shares; issued and outstanding 975,225 and 975,225 shares	10	10
Additional paid-in capital	317,736	317,362

Accumulated deficit	(320,797)	(297,615)
Total equity before accumulated other comprehensive loss	(2,431)	20,373
Accumulated other comprehensive loss	(6,807)	(6,088)
Total BankAtlantic Bancorp equity	(9,238)	14,285
Noncontrolling interest	508	458
Total equity	(8,730)	14,743
Total liabilities and equity	$ 4,470,629	4,509,433

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

(In thousands, except share and per share data)	For the Three Months Ended March 31, 2011	2010
Interest income:		
Interest and fees on loans	$ 34,910	41,634
Interest and dividends on taxable securities	2,831	3,798
Interest on tax exempt securities	354	
Interest on tax certificates	1,410	2,356
Total interest income	39,505	47,788
Interest expense:		
Interest on deposits	4,367	7,057
Interest on advances from FHLB	115	958
Interest on securities sold under agreements to repurchase and short-term borrowings	6	8
Interest on subordinated debentures	4,008	3,791
Total interest expense	8,496	11,814
Net interest income	31,009	35,974
Provision for loan losses	27,812	30,755
Net interest income after provision for loan losses	3,197	5,219
Non-interest income:		
Service charges on deposits	12,032	15,048
Other service charges and fees	7,191	7,378
Securities activities, net	(24)	3,138
Income from unconsolidated subsidiaries	381	189
Other	3,627	2,711
Total non-interest income	23,207	28,464
Non-interest expense:		
Employee compensation and benefits	19,290	25,378
Occupancy and equipment	12,585	13,582
Advertising and promotion	1,695	1,944
Check losses	299	432
Professional fees	3,359	2,887
Supplies and postage	902	998
Telecommunication	575	534
Cost associated with debt redemption	10	7
Provision for tax certificates	779	733
Impairment on loans held for sale	628	
Employee termination costs	(154)	
Lease termination costs	(849)	
Impairment of real estate owned	2,323	143
FDIC deposit insurance assessment	3,305	2,358
Other	4,543	5,118

Total non-interest expense		49,290	54,114
Loss before income taxes		(22,886)	(20,431)
Provision for income taxes		1	90
Net loss		(22,887)	(20,521)
Less: net income attributable to noncontrolling interest		(295)	(208)
Net loss attributable to BankAtlantic Bancorp	$	(23,182)	(20,729)
Basic loss per share		(0.37)	(0.42)
Diluted loss per share	$	(0.37)	(0.42)
Basic weighted average number of common shares outstanding		62,724,046	49,334,584
Diluted weighted average number of common and common equivalent shares outstanding		62,724,046	49,334,584

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BankAtlantic Bancorp, Inc.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2011 and 2010-Unaudited

(In thousands)	Comprehensive Loss	Common Stock	Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	BankAtlantic Bancorp Equity	Non-Controlling Interest	Total Equity
BALANCE, DECEMBER 31, 2009	$	493	296,438	(153,434)	(1,926)	141,571		141,571
Net loss	(20,729)			(20,729)		(20,729)	208	(20,521)
Net unrealized losses on securities available for sale	(2,215)				(2,215)	(2,215)		(2,215)
Comprehensive loss	$ (22,944)							
Cumulative effect of change in accounting principle							307	307
Non-controlling interest distributions							(134)	(134)
Issuance of Class A common stock			65			65		65
Share based compensation expense		16	522			538		538
BALANCE, MARCH 31, 2010	$	509	297,025	(174,163)	(4,141)	119,230	381	119,611
BALANCE, DECEMBER 31, 2010	$	626	317,362	(297,615)	(6,088)	14,285	458	14,743
Net loss	(23,182)			(23,182)		(23,182)	295	(22,887)
Net unrealized losses on securities available for sale	(719)				(719)	(719)		(719)
Comprehensive loss	$ (23,901)							
Non-controlling interest distributions							(245)	(245)
Issuance of Class A Common Stock pursuant to stock-based compensation awards		4	(4)					
Share based compensation expense			378			378		378
BALANCE, MARCH 31, 2011	$	630	317,736	(320,797)	(6,807)	(9,238)	508	(8,730)

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

(In thousands)	For the Three Months Ended March 31, 2011	2010
Net cash provided by operating activities	$ 23,109	17,368
Investing activities:		
Proceeds from redemption and maturities of investment securities and tax certificates	20,567	25,686
Purchase of investment securities and tax certificates	(9,415)	(3,919)
Purchase of securities available for sale		(500)
Proceeds from sales of securities available for sale		46,907
Proceeds from maturities of securities available for sale	47,299	30,938
Proceeds from maturities of interest bearing deposits	2,480	
Net repayments of loans	135,346	118,217
Proceeds from the sales of loans transferred to held for sale	3,100	26,421
Improvements to real estate owned		(779)
Proceeds from sales of real estate owned	3,245	3,269
Purchases of office property and equipment	(232)	(1,484)
Proceeds from the sale of office property and equipment	106	539
Net cash provided by investing activities	202,496	245,295
Financing activities:		
Net increase in deposits	113,317	77,760
Net repayments from FHLB advances	(125,010)	(130,000)
Net (decrease) increase in securities sold under agreements to repurchase	(4,518)	206
Increase (decrease) in short-term borrowings	127	(175)
Repayment of bonds payable		(45)
Prepayments of bonds payable		(661)
Proceeds from issuance of Class A common stock		65
Noncontrolling interest distributions	(245)	(134)
Net cash used in financing activities	(16,329)	(52,984)
Increase in cash and cash equivalents	209,276	209,679
Cash and cash equivalents at the beginning of period	507,908	234,797
Change in cash and cash equivalents held for sale	(333)	
Cash and cash equivalents at end of period	$ 716,851	444,476

(Continued)

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

(In thousands)	For the Three Months Ended March 31, 2011	2010
Cash paid for:		
Interest on borrowings and deposits	$ 4,655	9,167
Income taxes paid		
Supplementary disclosure of non-cash investing and financing activities:		
Loans and tax certificates transferred to REO	6,679	7,503
Long-lived assets held-for-use transferred to assets held for sale		1,919
Long-lived assets held-for-sale transferred to assets held for use		1,239
The change in assets and liabilities as of January 1, 2010 upon the consolidation of a factoring joint venture:		
Increase in loans receivable		(3,214)
Decrease in investment in unconsolidated subsidiaries		3,256
Increase in other assets		(367)
Increase in other liabilities		18
Increase in noncontrolling interest		307

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BankAtlantic Bancorp, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. Presentation of Interim Financial Statements

BankAtlantic Bancorp, Inc. (the Company) is a unitary savings bank holding company organized under the laws of the State of Florida. The Company s principal asset is its investment in BankAtlantic and its subsidiaries. The Company has two reportable segments, BankAtlantic and the Parent Company.

BankAtlantic, a federal savings bank headquartered in Fort Lauderdale, Florida, provides traditional retail banking services and a wide range of commercial banking products and related financial services through a broad network of community branches located in Florida.

All significant inter-company balances and transactions have been eliminated in consolidation. Throughout this document, the term fair value in each case is an estimate of fair value as discussed herein.

In management s opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) as are necessary for a fair statement of the Company s consolidated financial condition at March 31, 2011, the consolidated results of operations for the three months ended March 31, 2011 and 2010, and the consolidated stockholders equity and comprehensive loss and cash flows for the three months ended March 31, 2011 and 2010. The results of operations for the three months ended March 31, 2011 are not necessarily indicative of results of operations that may be expected for the year ended December 31, 2011. The consolidated financial statements and related notes are presented as permitted by Form 10-Q and should be read in conjunction with the consolidated financial statements appearing in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

Certain amounts for prior years have been reclassified to conform to the revised financial statement presentation for 2011. The Company adjusted the number of common shares outstanding used for the calculation of earnings per share for prior periods due to the issuance of Class A Common Stock in July 2010 at a subscription price lower than the market price of the Company s Class A Common Stock (see note 12).

The principal amounts of loans in the Company s residential loan portfolios set forth in the table in Note 6 to the Company s financial statements in the Company s Form 10-K for the year ended December 31, 2010 were incorrectly identified as reflecting loan-to-value ratios obtained as of the first quarter of 2010 when in fact the amounts instead reflected loan-to-value ratios as of the date of loan origination. The table below labeled As Corrected reflects loan-to-value ratios of the Company s residential loans as of December 31, 2010 based on first quarter of 2010 valuations. The table below labeled As Reported reflects the table contained in the Form 10-K for the year ended December 31, 2010 which reflects loan-to-value ratios of the Company s residential loans as of the date of loan origination.

(in thousands)	**As Reported As of December 31, 2010**		**As Corrected As of December 31, 2010**	
Loan-to-value ratios	**Residential Interest Only**	**Residential Amortizing**	**Residential Interest Only**	**Residential Amortizing**
Ratios not available	$	78,031	59,520	185,610
=<60%	107,063	144,744	47,605	145,075
60.1% - 70%	118,679	103,891	33,005	49,732
70.1% - 80%	290,840	309,925	37,808	48,586
80.1% - 90%	17,055	23,982	47,574	47,039
>90.1%	16,609	13,212	324,734	197,743
Total	$ 550,246	673,785	550,246	673,785

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BankAtlantic Bancorp, Inc. and Subsidiaries

2. Regulatory and Liquidity Considerations

Regulatory Considerations

On February 23, 2011, the Parent Company and BankAtlantic each entered into a Stipulation and Consent to Issuance of Order to Cease and Desist with the Office of Thrift Supervision (OTS), the Parent Company s and BankAtlantic s primary regulator. The Order to Cease and Desist to which the Parent Company is subject is referred to as the Company Order, the Order to Cease and Desist to which BankAtlantic is subject is referred to as the Bank Order and the Company Order and Bank Order are referred to collectively as the Orders. The OTS issued the Orders due to the Company s losses over the past three years, high levels of classified assets and inadequate levels of capital based on BankAtlantic s risk profile as determined by the OTS s recent examination. The Parent Company submitted updated written plans to the OTS that address, among other things, how the Parent Company intends to maintain and enhance its and BankAtlantic s capital and set forth the Parent Company s business plan for the year ending December 31, 2011. In addition, under the terms of the Company Order, the Parent Company is prohibited from taking certain actions without receiving the prior written non-objection of the OTS, including, without limitation, declaring or paying any dividends or other capital distributions and incurring certain indebtedness. The Parent Company is also required to ensure BankAtlantic s compliance with the terms of the Bank Order as well as all applicable laws, rules, regulations and agency guidance.

Pursuant to the terms of the Bank Order, BankAtlantic is required to attain by June 30, 2011 and maintain a tier 1 (core) capital ratio equal to or greater than 8% and a total risk-based capital ratio equal to or greater than 14%. At March 31, 2011, BankAtlantic had a tier 1 (core) capital ratio of 5.97% and a total risk-based capital ratio of 11.77%. Under the terms of the Bank Order, BankAtlantic has revised certain of its plans, programs and policies and submitted to the OTS certain written plans, including a capital plan, a revised business plan and a plan to reduce BankAtlantic s delinquent loans and non-performing assets. If BankAtlantic fails to comply with the capital plan and/or fails to attain and maintain the increased capital ratio requirements, or upon any written request from the OTS, BankAtlantic is required to submit a contingency plan, which must detail actions which BankAtlantic would, in its case, take to either merge with or be acquired by another banking institution. BankAtlantic will not be required to implement such contingency plan until such time as it receives written notification from the OTS to do so. In addition, the Bank Order requires BankAtlantic to limit its asset growth and restricts BankAtlantic from originating or purchasing new commercial real estate loans or entering into certain material agreements, in each case without receiving the prior written non-objection of the OTS. Separately, the OTS has confirmed that it has no objection to BankAtlantic originating loans to facilitate the sale of certain assets or the renewal, extension or modification of existing commercial real estate loans, subject in each case to compliance with applicable regulations and bank policies. The Bank Order prohibits the payment of dividends and other distributions without the prior written non-objection of the OTS. The Orders also include certain restrictions on compensation paid to the senior executive officers of the Parent Company and BankAtlantic, and restrictions on agreements with affiliates.

The Parent Company and BankAtlantic will seek to meet the higher capital requirements of the Bank Order through the estimated financial impact upon consummation of the proposed sale to PNC Financial Services Group Inc. of BankAtlantic s Tampa branch network anticipated to close in June 2011, subject to customary closing conditions and regulatory requirements, and through other efforts that may include the issuance of the Company s Class A Common Stock through a public or private offering, and specifically through the rights offering to the Company s shareholders announced on May 2, 2011. BankAtlantic is also pursuing other initiatives to improve its regulatory capital position including operating strategies to increase revenues and to reduce non-interest expenses, asset balances and non-performing loans. There can be no assurance that the Parent Company or BankAtlantic will be able to execute these or other strategies in order to meet and maintain BankAtlantic s new minimum regulatory capital levels by the required time frames.

Each Order became effective on February 23, 2011 and will remain in effect until terminated, modified or suspended by the OTS. No fines or penalties were imposed in connection with either Order. While the Orders formalize steps that the Company believes are already underway, if there is any material failure by the Parent Company or BankAtlantic to comply with the terms of the Orders, or if unanticipated market factors emerge, and/or if the Company is unable to raise required additional capital, successfully execute its plans, or comply with other regulatory requirements, then the OTS could take further action, which could include the imposition of fines and/or additional enforcement actions. Enforcement actions broadly available to regulators include the issuance of a capital directive, removal of officers and/or directors, institution of proceedings for receivership or conservatorship, and termination of deposit insurance. Any such action would have a material adverse effect on the Company s business, results of operations and financial position.

BankAtlantic Bancorp, Inc. and Subsidiaries

Liquidity Considerations

BankAtlantic Bancorp, Inc. s consolidated financial statements have been prepared on a going concern basis, which reflects the realization of assets and the repayments of liabilities in the normal course of business. Both the Parent Company and BankAtlantic actively manage liquidity and cash flow needs. The Parent Company had cash of $13.1 million as of March 31, 2011. The Parent Company does not have debt maturing until March 2032 and has the ability to defer interest payments on its junior subordinated debentures until December 2013; however, based on current interest rates, accrued and unpaid interest of approximately $73.1 million would be due in December 2013 if interest is deferred until that date. The Parent Company s operating expenses for the year ended December 31, 2010 were $6.4 million and $1.0 million during the three months ended March 31, 2011. BankAtlantic s liquidity is dependent, in part, on its ability to maintain or increase deposit levels and the availability of its lines of credit borrowings with the Federal Home Loan Bank (FHLB), as well as the Treasury and Federal Reserve lending programs.

As of March 31, 2011, BankAtlantic had $760 million of cash and short-term investments and approximately $920 million of available unused borrowings, consisting of $589 million of unused FHLB line of credit capacity, $297 million of unpledged securities, and $34 million of available borrowing capacity at the Federal Reserve. However, such available borrowings are subject to regular reviews and may be terminated, suspended or reduced at any time at the discretion of the issuing institution or based on the availability of qualifying collateral. Additionally, interest rate changes, additional collateral requirements, disruptions in the capital markets, adverse litigation or regulatory actions, or deterioration in BankAtlantic s financial condition may reduce the amounts it is able to borrow, make borrowings unavailable or make terms of the borrowings and deposits less favorable. As a result, BankAtlantic s cost of funds could increase and the availability of funding sources could decrease. Based on current and expected liquidity needs and sources, the Company expects to be able to meet its obligations at least through March 31, 2012.

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BankAtlantic Bancorp, Inc. and Subsidiaries

3. Fair Value Measurement

The following table presents major categories of the Company s assets measured at fair value on a recurring basis at March 31, 2011 and December 31, 2010 (in thousands):

		Fair Value Measurements Using		
Description	As of March 31, 2011	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage-backed securities	$ 103,790		103,790	
REMICS (1)	59,254		59,254	
Agency bonds	60,166		60,166	
Municipal bonds	133,918		133,918	
Taxable securities	17,620		17,620	
Equity securities	1,294	1,294		
Total	$ 376,042	1,294	374,748	

		Fair Value Measurements Using		
Description	As of December 31, 2010	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage-backed securities	$ 112,042		112,042	
REMICS (1)	68,841		68,841	
Agency bonds	60,143		60,143	
Municipal bonds	162,123		162,123	
Taxable securities	19,922		19,922	
Foreign currency put options	24	24		
Equity securities	1,296	1,296		
Total	$ 424,391	1,320	423,071	

(1) Real estate mortgage investment conduits (REMICS) are pass-through entities that hold residential loans. Investors in these entities are issued ownership interests in the entities in the form of a bond. The securities are guaranteed by government agencies.

There were no recurring liabilities measured at fair value in the Company s financial statements as of March 31, 2011 and December 31, 2010.

The valuation techniques and the inputs used in our financial statements to measure the fair value of our recurring financial instruments are described below.

The fair values of agency bonds, municipal bonds, taxable bonds, mortgage-backed securities and real estate mortgage conduit securities (REMICS) are estimated using independent pricing sources and matrix pricing. Matrix pricing uses a market approach valuation technique and Level 2 valuation inputs as quoted market prices are not available for the specific securities that the Company owns. The independent pricing sources value these securities using observable market inputs including: benchmark yields, reported trades, broker/dealer quotes, issuer spreads and other reference data in the secondary institutional market which is the principal market for these types of assets. To validate fair values obtained from the pricing sources, the Company reviews fair value estimates obtained from brokers, investment advisors and others to determine the reasonableness of the fair values obtained from independent pricing sources. The Company reviews any price that it determines may not be reasonable and requires the pricing sources to explain the differences in fair value or reevaluate its fair value.

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BankAtlantic Bancorp, Inc. and Subsidiaries

Equity securities are generally fair valued using the market approach and quoted market prices (Level 1) or matrix pricing (Level 2 or Level 3) with inputs obtained from independent pricing sources, if available. We also obtain non-binding broker quotes to validate fair values obtained from matrix pricing. However, for certain equity and debt securities in which observable market inputs cannot be obtained, we value these securities either using the income approach and pricing models that we have developed or based on observable market data that we adjust based on our judgment of the factors we believe a market participant would use to value the securities (Level 3).

The fair value of foreign currency put options was obtained using the market approach and quoted market prices using Level 1 inputs as of December 31, 2010.

The following table presents major categories of assets measured at fair value on a non-recurring basis as of March 31, 2011 (in thousands):

		Fair Value Measurements Using			
Description	**As of March 31, 2011**	**Quoted prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Impairments (1) For the Three Months Ended**
Loans measured for impairment using the fair value of the underlying collateral	$ 238,540			238,540	14,497
Impairment of loans held for sale	33,664			33,664	4,479
Impairment of real estate owned	19,728			19,728	2,323
Total	$ 291,932			291,932	21,299

(1) Total impairments represent the amount of loss recognized during the three months ended March 31, 2011 on assets that were measured at fair value as of March 31, 2011.

The following table presents major categories of assets measured at fair value on a non-recurring basis as of March 31, 2010 (in thousands):

		Fair Value Measurements Using			
Description	**As of March 31, 2010**	**Quoted prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Impairments (1) For the Three Months Ended**
Loans measured for impairment using the fair value of the collateral	$ 189,832			189,832	21,581
Impaired real estate owned	665			665	143
Total	$ 190,497			190,497	21,724

(1) Total impairments represent the amount of loss recognized during the three months ended March 31, 2010 on assets that were measured at fair value as of March 31, 2010.

There were no material liabilities measured at fair value on a non-recurring basis in the Company s financial statements.

Loans Measured For Impairment

Impaired loans are generally valued based on the fair value of the underlying collateral. The Company primarily uses third party appraisals to assist in measuring non-homogenous impaired loans. These appraisals generally use the market or income approach valuation technique and use market observable data to formulate an opinion of the fair value of the loan s collateral. However, the appraiser uses professional judgment in determining the fair value of the collateral or

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BankAtlantic Bancorp, Inc. and Subsidiaries

properties, and we may also adjust these values for changes in market conditions subsequent to the appraisal date. When current appraisals are not available for certain loans, we use our judgment on market conditions to adjust the most current appraisal. The sales prices may reflect prices of sales contracts not closed, and the amount of time required to sell out the real estate project may be derived from current appraisals of similar projects. As a consequence, the calculation of the fair value of the collateral uses Level 3 inputs. The Company generally uses third party broker price opinions or an automated valuation service to measure the fair value of the collateral for impaired homogenous loans in the establishment of specific reserves or charge-downs when these loans become 120 days delinquent. These third party valuations from real estate professionals also use Level 3 inputs in the determination of the fair values.

Loans Held for Sale

Loans held for sale are valued using an income approach with Level 3 inputs as market quotes or sale transactions of similar loans are generally not available. The fair value is estimated by discounting forecasted cash flows using a discount rate that reflects the risks inherent in the loans held for sale portfolio. For non-performing loans held for sale the forecasted cash flows are based on the estimated fair value of the collateral less cost to sell adjusted for foreclosure expenses and other operating expenses of the underlying collateral until foreclosure and sale.

Impaired Real Estate Owned

Real estate is generally valued using third party appraisals or broker price opinions. These appraisals generally use the market approach valuation technique and use market observable data to formulate an opinion of the fair value of the properties. However, the appraisers or brokers use professional judgments in determining the fair value of the properties and we may also adjust these values for changes in market conditions subsequent to the valuation date. As a consequence of using appraisals, broker price opinions and adjustments to appraisals, the fair values of the properties are considered Level 3 inputs.

Financial Disclosures about Fair Value of Financial Instruments

	March 31, 2011		December 31, 2010	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks	$ 103,507	103,507	97,930	97,930
Interest bearing deposits in other banks	656,424	656,424	455,538	455,538
Securities available for sale	376,042	376,042	424,367	424,367
Derivatives			24	24
Investment securities	1,500	1,500	1,500	1,500
Tax certificates	77,837	78,523	89,789	90,738
Federal home loan bank stock	43,557	43,557	43,557	43,557
Loans receivable including loans held for sale, net	2,870,884	2,573,515	3,047,944	2,698,348
Financial liabilities:				
Deposits	4,006,331	4,010,753	3,893,014	3,895,631
Short term borrowings	18,373	18,373	22,764	22,764
Advances from FHLB	45,000	44,994	170,000	170,038
Subordinated debentures	22,000	22,189	22,000	21,759
Junior subordinated debentures	325,974	119,185	322,385	107,274

Management has made estimates of fair value that it believes to be reasonable. However, because there is no active market for many of these financial instruments and management has derived the fair value of the majority of these financial instruments using the income approach technique with Level 3 unobservable inputs, the Company may not receive the estimated value upon sale or disposition of the asset or pay the estimated value upon disposition of the liability in advance of its scheduled maturity. Management estimates used in its net present value financial models rely on assumptions and judgments regarding issues where the outcome is unknown and actual results or values may differ significantly from these estimates. The Company s fair value estimates do not consider the tax effect that would be associated with the disposition of the assets or liabilities at their fair value estimates.

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Interest bearing deposits in other banks include $43.1 million of certificates of deposit guaranteed by the FDIC with maturities of less than one year. Due to the FDIC guarantee and the short maturity of these certificates of deposit, the fair value of these deposits approximates the carrying value.

Fair values are estimated for loan portfolios with similar financial characteristics. Loans are segregated by category, and each loan category is further segmented into fixed and adjustable rate interest terms and by performing and non-performing categories.

The fair value of performing loans is calculated by using an income approach with Level 3 inputs. These fair values are estimated by discounting forecasted cash flows through the estimated maturity using estimated market discount rates that reflect the interest rate risk inherent in the loan portfolio. The estimate of average maturity is based on BankAtlantic s historical experience with prepayments for each loan classification, modified as required by an estimate of the effect of current economic and lending conditions. Management assigns a credit risk premium and an illiquidity adjustment to these loans based on risk grades and delinquency status.

The fair value of tax certificates was calculated using the income approach with Level 3 inputs. The fair value is based on discounted expected cash flows using discount rates that take into account the risk of the cash flows of tax certificates relative to alternative investments.

The fair value of FHLB stock is its carrying amount.

As permitted by applicable accounting guidance, the fair value of deposits with no stated maturity, such as non-interest bearing demand deposits, savings and NOW accounts, and money market and checking accounts, is shown in the above table at book value. The fair value of certificates of deposit is based on an income approach with Level 3 inputs. The fair value is calculated by the discounted value of contractual cash flows with the discount rate estimated using current rates offered by BankAtlantic for similar remaining maturities.

The fair value of short-term borrowings is calculated using the income approach with Level 2 inputs. The Company discounts contractual cash flows based on current interest rates. The carrying value of these borrowings approximates fair value as maturities are generally less than thirty days.

The fair value of FHLB advances was calculated using the income approach with Level 2 inputs. The fair value was based on discounted cash flows using rates offered for debt with comparable terms to maturity and issuer credit standing.

The fair value of BankAtlantic s subordinated debentures was based on discounted values of contractual cash flows at a market discount rate adjusted for non-performance risk.

In determining the fair value of all of the Company s junior subordinated debentures, the Company used NASDAQ price quotes available with respect to its $69.0 million of publicly traded trust preferred securities related to its junior subordinated debentures (public debentures). However, $257.0 million of the outstanding trust preferred securities related to its junior subordinated debentures are not traded, but are privately held in pools (private debentures) and with no trading markets, sales history, liquidity or readily determinable source for valuation. We have deferred the payment of interest with respect to all of our junior subordinated debentures as permitted by the terms of these securities. Based on the deferral status and the lack of liquidity and ability of a holder to actively sell such private debentures, the fair value of these private debentures may be subject to a greater discount to par and have a lower fair value than indicated by the public debenture price quotes. However, due to their private nature and the lack of a trading market, fair value of the private debentures was not readily determinable at March 31, 2011 and December 31, 2010, and as a practical alternative, management used the NASDAQ price quotes of the public debentures to value all of the outstanding junior subordinated debentures whether privately held or public traded.

Derivatives

The carrying amount and fair values of BankAtlantic s commitments to extend credit, standby letters of credit, financial guarantees and forward commitments are not considered significant. (See Note 11 for the contractual amounts of BankAtlantic s financial instrument commitments.)

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During the second quarter of 2010, BankAtlantic expanded its cruise ship automated teller machine (ATM) operations and began dispensing foreign currency from certain ATMs on cruise ships. At March 31, 2011, BankAtlantic had $7.1 million of foreign currency in cruise ship ATMs and recognized $0.4 million of foreign currency unrealized exchange gains which were included in other income in the Company s statement of operations for the three months ended March 31, 2011. BankAtlantic purchased foreign currency put options as an economic hedge for the foreign currency in its cruise ship ATMs. The terms of the put options and the fair value as of March 31, 2011 were as follows (in thousands, except strike price):

Contract Amount	Expiration Date	Strike Price	Premium	Fair Value
400	11-Apr	$ 1.34	$ 31	
400			$ 31	

Included in securities activities, net in the Company s statement of operations were $24,000 of unrealized losses associated with the above put options for the three months ended March 31, 2011.

4. Securities Available for Sale

The following tables summarize securities available for sale (in thousands):

	As of March 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government agency securities:				
Mortgage-backed securities	$ 97,370	6,420		103,790
Agency Bonds	60,000	166		60,166
REMICs (1)	56,957	2,297		59,254
Total	214,327	8,883		223,210
Investment Securities:				
Municipal Bonds	133,747	171		133,918
Taxable securities	17,624	8	12	17,620
Equity securities	1,260	36	2	1,294
Total investment securities	152,631	215	14	152,832
Total	$ 366,958	9,098	14	376,042

	As of December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government agency securities:				
Mortgage-backed securities	$ 105,219	6,823		112,042
Agency bonds	60,000	143		60,143

REMICs (1)	66,034	2,807		68,841
Total	231,253	9,773		241,026
Investment Securities:				
Municipal bonds	162,113	33	23	162,123
Taxable securities	19,936	8	22	19,922
Equity securities	1,260	39	3	1,296
Total investment securities	183,309	80	48	183,341
Derivatives	24			24
Total	$ 414,586	9,853	48	424,391

(1) Real estate mortgage investment conduits (REMICS) are pass-through entities that hold residential loans. Investors in these entities are issued ownership interests in the entities in the form of a bond. The securities are guaranteed by government agencies.

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The following table shows the gross unrealized losses and fair value of the Company s securities available for sale with unrealized losses that are deemed temporary, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2011 and December 31, 2010 (in thousands):

	As of March 31, 2011					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Taxable Securities	$ 12,767	12			12,767	12
Equity securities			8	2	8	2
Total available for sale securities:	$ 12,767	12	8	2	12,775	14

	As of December 31, 2010					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Municipal Bonds	$ 90,413	(23)			90,413	(23)
Taxable Securities	15,155	(22)			15,155	(22)
Equity securities			7	(3)	7	(3)
Total available for sale securities:	$ 105,568	(45)	7	(3)	105,575	(48)

The unrealized losses on municipal bonds and taxable securities outstanding less than 12 months are primarily the result of interest rate changes. The Company expects to receive cash proceeds for its entire investment upon maturity.

The unrealized losses on the equity securities at March 31, 2011 and December 31, 2010 are insignificant. Accordingly, the Company does not consider these investments other-than-temporarily impaired at March 31, 2011 and December 31, 2010.

The scheduled maturities of debt securities available for sale were (in thousands):

	Debt Securities Available for Sale	
March 31, 2011 (1)	Amortized Cost	Estimated Fair Value
Due within one year	$ 150,113	150,272
Due after one year, but within five years	61,347	61,524
Due after five years, but within ten years	19,775	20,500
Due after ten years	134,463	142,452
Total	$ 365,698	374,748

(1) Scheduled maturities in the above table are based on contractual maturities which may vary significantly from actual maturities due to prepayments.

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Included in securities activities, net were (in thousands):

	For the Three Months Ended March 31, 2011	2010
Gross gains on securities sales	$	3,138
Gross losses on securities sales	24	
Proceed from sales of securities		46,907

5. Restructuring Charges and Exit Activities

Restructuring charges and exit activities includes employee termination costs, lease contracts executed for branch expansion and impairment of real estate acquired for branch expansion. The following table provides information regarding liabilities associated with restructuring charges and exit activities (in thousands):

	Employee Termination Benefits Liability	Contract Liability	Total Liability
Balance at January 1, 2010	$ 10	3,681	3,691
Expenses incurred			
Amounts paid or amortized	(10)	(165)	(175)
Balance at March 31, 2010	$	3,516	3,516
Balance at January 1, 2011	$ 2,438	5,876	8,314
Reversals	(154)	(849)	(1,003)
Amounts paid or amortized	(1,177)	(2,299)	(3,476)
Balance at March 31, 2011	$ 1, 107	2,728	3,835

Beginning in December 2007, BankAtlantic terminated leases or sought to sublease properties that it had previously leased for future branch expansion. These operating leases were fair valued and the resulting valuation allowance impairments are accreted to rent expense until the leases are terminated or subleased. BankAtlantic is actively seeking tenants for potential sub-leases or unrelated third parties to assume the lease obligations. During the three months ended March 31, 2011, BankAtlantic terminated three operating leases and recovered $0.8 million of prior period lease termination costs.

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6. Loans Receivable

The loan portfolio consisted of the following (in thousands):

	March 31, 2011	December 31, 2010
Commercial non-real estate	$ 132,456	135,588
Commercial real estate:		
Residential	115,775	133,155
Land	35,701	58,040
Owner occupied	104,704	111,097
Other	582,724	592,538
Small Business:		
Real estate	200,394	203,479
Non-real estate	95,822	99,190
Consumer:		
Consumer - home equity	590,771	604,228
Consumer other	15,633	16,068
Deposit overdrafts	3,717	3,091
Residential:		
Residential-interest only	483,582	550,246
Residential-amortizing	613,167	671,948
Total gross loans	2,974,446	3,178,668
Adjustments:		
Premiums, discounts and net deferred fees	2,034	1,650
Allowance for loan losses	(155,051)	(162,139)
Loans receivable net	$ 2,821,429	3,018,179
Loans held for sale	$ 49,455	29,765

Loans held for sale as of March 31, 2011 consisted of $25.1 million of residential loans transferred from held-for-investment y to held-for-sale classification during the three months ended March 31, 2011, $22.9 million of commercial loans and $1.5 million of residential loans originated for sale. Loans held for sale as of December 31, 2010 consisted of $27.9 million of commercial real estate loans transferred from held-for-investment to held-for-sale classification during the fourth quarter of 2010 and $1.8 million of residential loans originated for sale. The Company transfers loans to held-for-sale when, based on the current economic environment and related market conditions, it does not have the intent to hold those loans for the foreseeable future. The Company recognized a $64,000 loss on the sale of loans held for sale for the three months ended March 31, 2011 and a $54,000 gain on the sale of loans held for sale during the three months ended March 31, 2010.

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The recorded investment (recorded investment represents unpaid principal balance less charge downs and deferred fees) of non-accrual loans receivable and loans held for sale was (in thousands):

Loan Class	March 31, 2011	December 31, 2010
Commercial non-real estate	$ 17,384	17,659
Commercial real estate:		
Residential	87,343	95,482
Land	20,157	27,260
Owner occupied	7,334	4,870
Other	134,788	128,658
Small business:		
Real estate	9,841	8,928
Non-real estate	2,331	1,951
Consumer	13,231	14,120
Residential:		
Residential-interest only	37,463	38,900
Residential-amortizing	44,092	47,639
Total	$ 373,964	385,467

An analysis of the age of the recorded investment in loans receivable and loans held for sale as of March 31, 2011 and December 31, 2010 that were past due were as follows (in thousands):

March 31, 2011	31-59 Days Past Due	60-89 Days Past Due	90 Days or More	Total Past Due	Current	Loans Receivable
Commercial non-real estate	$ 21,779		13,373	35,152	97,304	132,456
Commercial real estate:						
Residential	1,961		51,423	53,384	67,304	120,688
Land		303	16,413	16,716	28,072	44,788
Owner occupied	866		3,861	4,727	101,458	106,185
Other	9,417	2,451	53,197	65,065	527,112	592,177
Small business:						
Real estate	1,932	1,632	6,618	10,182	190,212	200,394
Non-real estate	17	425		442	95,380	95,822
Consumer	6,645	5,332	13,234	25,211	584,910	610,121
Residential:						
Residential-interest only	3,633	5,649	37,249	46,531	447,533	494,064
Residential-amortizing	6,899	4,669	43,702	55,270	573,970	629,240
Total	$ 53,149	20,461	239,070	312,680	2,713,256	3,025,935

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December 31, 2010	31-59 Days Past Due	60-89 Days Past Due	90 Days or More (1)	Total Past Due	Current	Total Loans Receivable
Commercial non-real estate	$		13,498	13,498	122,090	135,588
Commercial real estate:						
Residential	4,700		53,791	58,491	84,325	142,816
Land			23,803	23,803	34,237	58,040
Owner occupied			3,862	3,862	107,235	111,097
Other		6,043	54,940	60,983	551,472	612,455
Small business:						
Real estate	1,530	2,059	6,670	10,259	193,220	203,479
Non-real estate		67	25	92	99,098	99,190
Consumer	6,396	6,009	14,120	26,525	596,862	623,387
Residential:						
Interest only	4,907	6,164	38,900	49,971	500,275	550,246
Amortizing	6,091	5,926	47,487	59,504	614,281	673,785
Total	$ 23,624	26,268	257,096	306,988	2,903,095	3,210,083

(1) The Company had no loans greater than 90 days and accruing.

The activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2011 was as follows (in thousands):

	Commercial Non-Real Estate	Commercial Real Estate	Small Business	Consumer	Residential	Total
Allowance for Loan Losses:						
Beginning balance	$ 10,786	83,859	11,514	32,043	23,937	162,139
Charge-offs:	(464)	(11,277)	(2,611)	(7,814)	(8,011)	(30,177)
Recoveries :	791	718	310	408	131	2,358
Provision :	(405)	7,232	912	2,874	17,199	27,812
Transfer to held for sale:		(1,390)			(5,691)	(7,081)
Ending balance	$ 10,708	79,142	10,125	27,511	27,565	155,051
Ending balance individually evaluated for impairment	$ 9,024	59,274	1,565	1,453	7,369	78,685
Ending balance collectively evaluated for impairment	1,684	19,868	8,560	26,058	20,196	76,366
Total	$ 10,708	79,142	10,125	27,511	27,565	155,051
Loans receivable:						
Ending balance individually evaluated for impairment	$ 16,495	343,809	10,562	24,033	84,667	479,566
Ending balance collectively evaluated for impairment	$ 115,961	520,029	285,654	586,088	1,038,637	2,546,369
Total	$ 132,456	863,838	296,216	610,121	1,123,304	3,025,935
Purchases of loans	$				3,864	3,864

Proceeds from loan sales	$	3,100	7,618	10,718
Transfer to held for sale	$	2,450	25,072	27,522

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Activity in the allowance for loan losses for the three months ended March 31, 2010 was as follows (in thousands):

	For the Three Months Ended March 31, 2010
Balance, beginning of period	$ 187,218
Loans charged-off	(41,423)
Recoveries of loans previously charged-off	1,047
Net charge-offs	(40,376)
Provision for loan losses	30,755
Balance, end of period	$ 177,597

Impaired Loans Loans are considered impaired when, based on current information and events, the Company believes it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan agreement. For a loan that has been restructured, the contractual terms of the loan agreement refer to the contractual terms specified by the original loan agreement, not the contractual terms specified by the restructured agreement. Impairment is evaluated based on past due status for consumer and residential loans. Impairment is evaluated based on the Company s on-going credit monitoring process for commercial and small business loans which results in the evaluation for impairment of all criticized loans. Factors considered in determining if a loan is impaired are past payment history, strength of the borrower or guarantors, and cash flow associated with the collateral or business. If a loan is impaired, a specific valuation allowance is allocated, if necessary, based on the present value of estimated future cash flows using the loan s existing interest rate or at the fair value of collateral if the loan is collateral dependent. BankAtlantic generally measures loans for impairment using the fair value of collateral less cost to sell method. Interest payments on impaired loans for all loan classes are recognized on a cash basis, unless collectability of the principal and interest amount is probable, in which case interest is recognized on an accrual basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible. Impaired loans held for sale are measured for impairment based on the estimated fair value of the collateral less cost to sell adjusted for foreclosure expenses and other operating expenses of the underlying collateral until foreclosure and sale.

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Impaired loans as of March 31, 2011 were as follows (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Commercial non-real estate	$ 15,106	15,106	9,024	15,958	16
Commercial real estate:					
Residential	93,919	126,982	21,299	87,825	435
Land	5,428	5,428	1,652	10,319	42
Owner occupied	4,165	4,165	667	2,930	
Other	114,736	118,006	35,657	105,215	404
Small business:					
Real estate	7,982	7,982	269	5,292	14
Non-real estate	1,948	1,948	1,296	1,864	17
Consumer	17,248	18,286	1,453	10,489	
Residential:					
Residential-interest only	17,458	22,376	4,097	24,632	
Residential-amortizing	15,802	19,177	3,272	20,211	
Total with allowance recorded	$ 293,792	339,456	78,686	284,735	928
With no related allowance recorded:					
Commercial non-real estate	$ 2,925	2,925		2,211	7
Commercial real estate:					
Residential	24,416	58,741		34,626	91
Land	16,716	51,431		15,378	
Owner occupied	3,916	3,916		3,919	36
Other	79,167	93,372		80,269	614
Small business:					
Real estate	9,461	11,026		12,594	148
Non-real estate	805	971		489	14
Consumer	9,326	12,791		16,178	111
Residential:					
Residential-interest only	20,339	32,282		13,883	4
Residential-amortizing	31,425	42,450		28,544	34
Total with no allowance recorded	$ 198,496	309,905		208,091	1,059
Commercial non-real estate	$ 18,031	18,031	9,024	18,169	23
Commercial real estate	342,463	462,041	59,275	340,481	1,622
Small business	20,196	21,927	1,565	20,239	193
Consumer	26,574	31,077	1,453	26,667	111
Residential	85,024	116,285	7,369	87,270	38
Total	$ 492,288	649,361	78,686	492,826	1,987

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Impaired loans as of December 31, 2010 were as follows (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded :					
Commercial non-real estate	$ 16,809	16,809	9,850	14,850	
Commercial real estate:					
Residential	81,731	87,739	21,298	86,868	778
Land	15,209	15,209	8,156	21,010	18
Owner occupied	1,695	1,695	335	5,366	
Other	95,693	96,873	33,197	96,800	
Small business:					
Real estate	2,602	2,602	1,733	2,838	21
Non-real estate	1,779	1,779	1,203	2,015	
Consumer	3,729	5,029	1,791	4,665	
Residential:					
Residential-interest only	31,805	39,451	6,741	24,327	17
Residential-amortizing	24,619	28,712	5,293	16,525	34
Total with a related allowance recorded	$ 275,671	295,898	89,597	275,264	868
With no related allowance recorded:					
Commercial non-real estate	$ 1,497	1,497		4,799	15
Commercial real estate:					
Residential	44,835	116,092		42,295	267
Land	14,039	43,846		25,847	19
Owner occupied	3,922	3,922		3,878	56
Other	81,370	97,203		55,311	1,446
Small business:					
Real estate	15,727	16,499		14,722	673
Non-real estate	172	197		358	
Consumer	23,029	27,146		22,487	624
Residential:					
Residential-interest only	7,427	10,078		16,694	
Residential-amortizing	25,664	31,797		26,950	116
Total with no related allowance recorded	$ 217,682	348,277		213,341	3,216
Commercial non-real estate	$ 18,306	18,306	9,850	19,649	15
Commercial real estate	338,494	462,579	62,986	337,375	2,584
Small business	20,280	21,077	2,936	19,933	694
Consumer	26,758	32,175	1,791	27,152	624
Residential	89,515	110,038	12,034	84,496	167
Total	$ 493,353	644,175	89,597	488,605	4,084

Impaired loans without specific valuation allowances represent loans that were written-down to the fair value of the collateral less cost to sell, loans in which the collateral value less cost to sell was greater than the carrying value of the loan, loans in which the present value of the cash flows discounted at the loan s effective interest rate was equal to or greater than the carrying value of the loan, or large groups of smaller-balance homogeneous loans that are collectively measured for impairment.

The Company monitors collateral dependent loans and performs an impairment analysis on these loans quarterly. Generally, a full appraisal is obtained when a real estate loan is evaluated for impairment and an updated full appraisal is obtained within one year from the prior appraisal date, or earlier if management deems it appropriate based on significant changes in market conditions. In instances where a property is in the process of foreclosure, an updated appraisal may be

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postponed beyond one year, as an appraisal is required on the date of foreclosure; however, such loans are subject to quarterly impairment analyses. Included in total impaired loans as of March 31, 2011 was $299.6 million of collateral dependent loans, of which $162.0 million were measured for impairment using current appraisals and $137.6 million were measured by adjusting appraisals greater than six months old, as appropriate, to reflect changes in market conditions subsequent to the last appraisal date. Appraised values were adjusted down by an aggregate amount of $18.3 million to reflect current market conditions with respect to 36 loans which did not have current appraisals due to estimated property value declines since the last appraisal dates.

As of March 31, 2011, impaired loans with specific valuation allowances had been previously written down by $47.8 million and impaired loans without specific valuation allowances had been previously written down by $92.7 million. BankAtlantic had commitments to lend $13.4 million of additional funds on impaired loans as of March 31, 2011.

Credit Quality Information

Management monitors net charge-offs, levels of classified loans, impaired loans and general economic conditions nationwide and in Florida in an effort to assess loan credit quality. The Company uses a risk grading matrix to monitor credit quality for commercial and small business loans. Risk grades are assigned to each commercial and small business loan upon origination. The loan officers monitor the risk grades and these risk grades are reviewed periodically by a third party consultant. The Company assigns risk grades on a scale of 1 to 13. A general description of the risk grades is as follows:

Grades 1 to 7 The loans in these risk grades are generally well protected by the current net worth and paying capacity of the borrower or guarantors or by the fair value, less cost to sell, of the underlying collateral.

Grades 8 to 9 Not used

Grade 10 These loans are considered to have potential weaknesses that deserve management s close attention. While these loans do not expose the Company to immediate risk of loss, if left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan.

Grade 11 These loans are considered to be inadequately protected by the current sound net worth and paying capacity of the borrower or guarantors or by the collateral pledged, if any. Loans in this grade have well-defined weaknesses that jeopardize the liquidation of the loan and there is a distinct possibility that the Company may sustain some credit loss if the weaknesses are not corrected.

Grade 12 These loans are considered to have all the weaknesses of a Grade 11 with the added characteristic that the weaknesses make collection of the Company s investment in the loan highly questionable and improbable on the basis of currently known facts, conditions and fair values of the collateral.

Grade 13 These loans, or portions thereof, are considered uncollectible and of such little value that continuance on the Company s books as an asset is not warranted without the establishment of a specific valuation allowance or a charge-off. Such loans are generally charged down or completely charged off.

The following table presents risk grades for commercial and small business loans as of March 31, 2011 and December 31, 2010 (in thousands):

March 31, 2011	Commercial Non-Real Estate	Commercial Residential	Commercial Land	Owner Occupied Commercial Real Estate	Other Commercial Real Estate	Small Business Real Estate	Small Business Non-Real Estate
Grade:							
Grades 1 to 7	$ 80,374	2,353	22,190	94,569	278,162	169,250	80,864
Grade 10	11,743	7,441		701	124,154	3,085	3,548

Grade 11	40,339	110,894	22,598	10,915	189,861	28,059	11,410
Total	$ 132,456	120,688	44,788	106,185	592,177	200,394	95,822

(1) There were no loans risk graded 12 or 13 as of March 31, 2011.

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December 31, 2010	Commercial Non Real Estate	Commercial Residential	Commercial Land	Owner Occupied Commercial Real Estate	Other Commercial Real Estate	Small Business Real Estate	Small Business Non-Real Estate
Risk Grade:							
Grades 1 to 7	$ 81,789	16,250	27,387	101,855	314,402	169,979	84,584
Grade 10	12,827	7,572	956	704	119,508	3,098	3,665
Grade 11	40,972	118,994	29,697	8,538	178,545	30,402	10,941
Total	$ 135,588	142,816	58,040	111,097	612,455	203,479	99,190

The Company monitors the credit quality of residential loans through loan-to-value ratios of the underlying collateral. Elevated loan-to-value ratios indicate the likelihood of increased credit losses upon default which results in higher loan portfolio credit risk.

The loan-to-value ratios of the Company s residential loans were as follows (in thousands):

			As Corrected (3)	
	As of March 31, 2011		As of December 31, 2010	
Loan-to-value ratios (1)	Residential Interest Only	Residential Amortizing	Residential Interest Only	Residential Amortizing
Ratios not available (2)	$ 50,085	178,820	59,520	185,610
=<60%	41,122	127,192	47,605	145,075
60.1% - 70%	29,140	45,496	33,005	49,732
70.1% - 80%	33,881	42,833	37,808	48,586
80.1% - 90%	42,520	43,390	47,574	47,039
>90.1%	297,316	190,028	324,734	197,743
Total	$ 494,064	627,759	550,246	673,785

(1) Current loan-to-value ratios (LTV) for the majority of the portfolio were obtained as of the first quarter of 2010 based on automated valuation models.

(2) Ratios not available consisted of property addresses not in the automated valuation database, and $77.3 million and $78.0 million as of March 31, 2011 and December 31, 2010, respectively, of loans originated under the community reinvestment act program that are not monitored based on loan-to-value.

(3) The principal amounts of the Company s residential loans set forth in the table in Note 6 to the Company s financial statements in the Company s Form 10-K for the year ended December 31, 2010 were incorrectly identified as reflecting loan-to-value ratios obtained as of the first quarter of 2010 when in fact the amounts instead reflected loan-to-value ratios as of the date of loan origination. The above table labeled As Corrected reflects loan-to-value ratios as of December 31, 2010 based on first quarter of 2010 valuations.

The Company monitors the credit quality of its portfolio of consumer loans secured by real estate utilizing loan to- value ratios at origination. The Company s experience indicates that default rates are significantly lower with loans that have lower loan to value ratios at origination.

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The loan-to-value ratios at loan origination of the Company s consumer loans secured by real estate were as follows (in thousands):

Loan-to-value ratios	March 31, 2011 Consumer Home Equity	December 31, 2010 Consumer Home Equity
<70%	$ 359,593	363,653
70.1% - 80%	103,181	106,180
80.1% - 90%	69,233	72,529
90.1% -100%	45,957	48,537
>100%	12,807	13,329
Total	$ 590,771	604,228

The Company monitors the credit quality of its consumer non-real estate loans based on loan delinquencies.

7. Assets Held for Sale

In August 2010, BankAtlantic announced that, due to the rapidly changing environment in Florida and the banking industry, it decided to focus on its core markets in South Florida and BankAtlantic began seeking a buyer for its 19 branches located in the Tampa, Florida area. In January 2011, BankAtlantic agreed to sell its 19 branches and 2 related facilities in the Tampa area and the associated deposits to an unrelated financial institution. The purchasing financial institution has agreed to pay i) a 10% premium for the deposits plus ii) the net book value of the acquired real estate and substantially all of the fixed assets associated with the branches and facilities. The purchasing financial institution and BankAtlantic have each received regulatory approval for the transaction. The transaction is anticipated to close during June 2011, subject to customary closing conditions and regulatory requirements.

The assets and liabilities associated with the Tampa branches were as follows (in thousands):

	March 31, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	$ 6,184	5,850
Office properties and equipment	30,725	31,484
Total assets held for sale	$ 36,909	37,334
LIABILITIES		
Interest bearing deposits	$ 294,746	255,630
Non-interest bearing deposits	95,686	85,516
Total deposits	390,432	341,146
Accrued interest payable	79	87
Total liabilities held for sale	$ 390,511	341,233

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8. Share-based Compensation

In February 2010, the Board of Directors granted to employees 1,600,000 restricted Class A Common Stock awards (RSA) under the BankAtlantic Bancorp, Inc. 2005 Restricted Stock and Option Plan. The Board of Directors also granted 75,000 RSAs to employees of BFC Financial Corporation (BFC) that perform services for the Company. The RSAs vest pro-rata over four years and had a fair value of $1.24 per share at the grant date.

The following is a summary of the Company s non-vested restricted Class A common share activity:

	Class A Non-vested Restricted Stock	Weighted Average Grant date Fair Value
Outstanding at December 31, 2009	19,800	$ 42.11
Vested		
Forfeited		
Granted	1,675,000	1.24
Outstanding at March 31, 2010	1,694,800	1.72
Outstanding at December 31, 2010	1,568,900	$ 1.48
Vested	(383,750)	1.24
Forfeited	(32,500)	1.24
Granted		
Outstanding at March 31, 2011	1,152,650	$ 1.56

9. Related Parties

The Company, BFC and Bluegreen Corp. (Bluegreen) may be deemed to be under common control. The controlling shareholder of the Company and Bluegreen is BFC. Shares of BFC s capital stock representing a majority of the voting power are owned or controlled by the Company s Chairman and Vice Chairman, both of whom are also directors of the Company, executive officers and directors of BFC and directors of Bluegreen. The Company, BFC and Bluegreen share certain office premises and employee services, pursuant to the agreements described below.

In March 2008, BankAtlantic entered into an agreement with BFC to provide information technology support in exchange for monthly payments by BFC to BankAtlantic. In May 2008, BankAtlantic also entered into a lease agreement with BFC under which BFC pays BankAtlantic monthly rent for office space in BankAtlantic s corporate headquarters.

The Company maintains service agreements with BFC pursuant to which BFC provides human resources, risk management and investor relations services to the Company. BFC is compensated for these services based on its cost.

In June 2010, BankAtlantic and the Parent Company entered into a real estate advisory service agreement with BFC for assistance relating to the work-out of loans and the sale of real estate owned. BFC is compensated $12,500 per month by each of BankAtlantic and the Parent Company and, if BFC s efforts result in net recoveries of any non-performing loan or the sale of real estate owned, it will receive a fee equal to 1% of the net value recovered. During the quarter ended March 31, 2011, the Company incurred $0.1 million of real estate advisory service fees under this agreement.

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The table below shows the effect of service arrangements on the Company s consolidated statements of operations for the three months ended March 31, 2011 and 2010 (in thousands):

	For the Three Months Ended March 31, 2011	2010
Non-interest income:		
Other - office facilities	$ 117	141
Non-interest expense:		
Employee compensation and benefits	(16)	(21)
Other - back-office support	(397)	(492)
Net effect of affiliate transactions before income taxes	$ (296)	(372)

The Company in prior periods issued options to acquire shares of the Company s Class A Common Stock to employees of BFC. Additionally, employees of the Company have transferred to affiliate companies and the Company has elected, in accordance with the terms of the Company s stock option plans, not to cancel the stock options held by those former employees. The Company also issues options and restricted stock awards to BFC employees that perform services for the Company. During the year ended December 31, 2010, the Company granted 75,000 non-vested restricted Class A Common Stock awards to BFC employees that perform services for the Company. These stock awards vest pro-rata over a four year period. The Company recorded $16,000, and $12,000 of expenses relating to all options and restricted stock awards held by employees of affiliated companies for the three months ended March 31, 2011 and 2010, respectively.

Options and non-vested restricted stock outstanding to BFC employees consisted of the following as of March 31, 2011:

	Class A Common Stock	Weighted Average Price
Options outstanding	47,761	$ 55.26
Non-vested restricted stock	56,250	

BFC had deposits at BankAtlantic totaling $1.3 million and $1.8 million as of March 31, 2011 and December 31, 2010, respectively. The Company recognized nominal interest expense in connection with the above deposits. These deposits were on the same general terms as offered to unaffiliated third parties.

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10. Segment Reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Reportable segments consist of one or more operating segments with similar economic characteristics, products and services, production processes, types of customers, distribution systems and regulatory environments. The information provided for Segment Reporting is based on internal reports utilized by management. Results of operations are reported through two reportable segments: BankAtlantic and the Parent Company. BankAtlantic activities consist of the banking operations of BankAtlantic and the Parent Company activities consist of equity and debt financings, capital management and acquisition related expenses. Additionally, effective March 31, 2008, a wholly-owned subsidiary of the Parent Company purchased non-performing loans from BankAtlantic. As a consequence, the Parent Company s activities also include the operating results of the asset work-out subsidiary.

The following summarizes the aggregation of the Company s operating segments into reportable segments:

Reportable Segment	Operating Segments Aggregated
BankAtlantic	Banking operations
Parent Company	BankAtlantic Bancorp s operations, costs of acquisitions, asset and capital management and financing activities

The accounting policies of the segments are generally the same as those described in the summary of significant accounting policies in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. Intersegment transactions are eliminated in consolidation.

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The Company evaluates segment performance based on segment net income from continuing operations after tax. The table below is segment information for segment net income from continuing operations for the three months ended March 31, 2011 and 2010 (in thousands):

	BankAtlantic	Parent Company	Adjusting and Elimination Entries	Segment Total
2011				
Interest income	$ 39,420	89	(4)	39,505
Interest expense	(4,716)	(3,784)	4	