BANKATLANTIC BANCORP INC
Form 10-Q
August 16, 2010

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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 June 30, 2010
OR
o **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 o 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).

x YES o 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 o	Accelerated filer o
Non-accelerated filer o	Small reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o 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 August 6, 2010

Class A Common Stock, par value $0.01 per share	60,061,590
Class B Common Stock, par value $0.01 per share	975,225

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION UNAUDITED

(In thousands, except share data)	June 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	$ 420,880	234,797
Interest bearing deposits at other financial institutions	33,863	
Securities available for sale, at fair value	275,073	320,327
Derivatives, at fair value	638	
Investment securities, at cost	1,500	1,500
Tax certificates, net of allowance of $8,175 and $6,781	139,731	110,991
Federal Home Loan Bank (FHLB) stock, at cost which approximates fair value	48,751	48,751
Loans held for sale	5,861	4,547
Loans receivable, net of allowance for loan losses of $187,862 and $187,218	3,381,864	3,689,779
Accrued interest receivable	23,837	32,279
Real estate held for development and sale	6,528	13,694
Real estate owned and other repossessed assets	55,412	46,477
Investments in unconsolidated companies	9,733	12,563
Office properties and equipment, net	194,514	201,686
Goodwill	13,081	13,081
Other assets	44,334	85,145
Total assets	$ 4,655,600	4,815,617
LIABILITIES AND EQUITY		
Liabilities:		
Deposits		
Interest bearing deposits	$ 3,085,772	3,142,100
Non-interest bearing deposits	902,481	827,580
Total deposits	3,988,253	3,969,680
Advances from FHLB	115,000	282,012
Securities sold under agreements to repurchase	24,724	24,468
Short-term borrowings	10,025	2,803
Subordinated debentures and bonds payable	22,000	22,697
Junior subordinated debentures	315,160	308,334
Other liabilities	102,972	64,052
Total liabilities	4,578,134	4,674,046
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 52,946,126 and 48,245,042 shares	530	483
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	304,482	296,438
Accumulated deficit	(225,652)	(153,434)
Total equity before accumulated other comprehensive loss	79,370	143,497
Accumulated other comprehensive loss	(2,320)	(1,926)
Total BankAtlantic Bancorp equity	77,050	141,571
Noncontrolling interest	416	
Total equity	77,466	141,571
Total liabilities and equity	$ 4,655,600	4,815,617

See Notes to Consolidated Financial Statements Unaudited

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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 June 30, 2010	2009	For the Six Months Ended June 30, 2010	2009
Interest income:				
Interest and fees on loans	$ 39,898	47,747	81,532	97,425
Interest and dividends on securities	2,937	6,373	6,735	15,111
Interest on tax certificates	514	3,060	2,870	7,253
Total interest income	43,349	57,180	91,137	119,789
Interest expense:				
Interest on deposits	6,021	11,527	13,078	24,514
Interest on advances from FHLB	1	5,082	959	12,246
Interest on short term borrowings	7	19	15	191
Interest on subordinated debentures and bonds payable	3,891	4,280	7,682	8,818
Total interest expense	9,920	20,908	21,734	45,769
Net interest income	33,429	36,272	69,403	74,020
Provision for loan losses	48,553	43,494	79,308	87,771
Net interest loss after provision for loan losses	(15,124)	(7,222)	(9,905)	(13,751)
Non-interest income:				
Service charges on deposits	15,502	19,347	30,550	38,032
Other service charges and fees	7,739	8,059	15,117	15,084
Securities activities, net	312	692	3,450	5,132
Other	2,970	3,424	5,870	6,383
Total non-interest income	26,523	31,522	54,987	64,631
Non-interest expense:				
Employee compensation and benefits	25,155	25,935	50,533	54,741
Occupancy and equipment	13,745	14,842	27,327	29,753
Advertising and promotion	2,239	1,979	4,183	4,811
Check losses	521	991	953	1,835
Professional fees	4,824	2,695	7,711	6,021
Supplies and postage	921	999	1,919	2,003
Telecommunication	662	586	1,196	1,284
Cost associated with debt redemption	54	1,441	60	2,032
Provision for tax certificates	2,134	1,414	2,867	2,900
Impairment of real estate owned	1,221	411	1,364	623
Restructuring charges and exit activities	1,726	1,406	1,726	3,281
Impairment of goodwill				9,124
FDIC special assessment		2,428		2,428

Other		9,447	7,529	16,924	15,011
Total non-interest expense		62,649	62,656	116,763	135,847
Loss from continuing operations before income taxes		(51,250)	(38,356)	(71,681)	(84,967)
Provision for income taxes				90	
Loss from continuing operations		(51,250)	(38,356)	(71,771)	(84,967)
Discontinued operations					4,201
Net loss		(51,250)	(38,356)	(71,771)	(80,766)
Less: net income attributable to noncontrolling interest		(239)		(447)	
Net loss attributable to BankAtlantic Bancorp	$	(51,489)	(38,356)	(72,218)	(80,766)
Basic loss per share					
Continuing operations	$	(1.02)	(2.53)	(1.44)	(5.60)
Discontinued operations					0.28
Basic loss per share	$	(1.02)	(2.53)	(1.44)	(5.32)
Diluted loss per share					
Continuing operations	$	(1.02)	(2.53)	(1.44)	(5.60)
Discontinued operations					0.28
Diluted loss per share	$	(1.02)	(2.53)	(1.44)	(5.32)
Basic weighted average number of common shares outstanding		50,678,568	15,170,351	50,010,292	15,168,850
Diluted weighted average number of common and common equivalent shares outstanding		50,678,568	15,170,351	50,010,292	15,168,850

See Notes to Consolidated Financial Statements Unaudited

BankAtlantic Bancorp, Inc.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME
For the Six Months Ended June 30, 2009 and 2010-Unaudited

(In thousands)	Compre-hensive Income	Common Stock	Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Compre-hensive Income (Loss)	BankAtlantic Bancorp Equity	Non-Controlling Interest	Total Equity
BALANCE, DECEMBER 31, 2008	$	113	218,974	32,667	(7,786)	243,968		243,968
Net loss	(80,766)			(80,766)		(80,766)		(80,766)
Net unrealized gains on securities available for sale	2,246				2,246	2,246		2,246
Comprehensive loss	$ (78,520)							
Dividends on Class A common stock				(257)		(257)		(257)
Dividends on Class B common stock				(25)		(25)		(25)
Share based compensation expense			1,401			1,401		1,401
BALANCE, JUNE 30, 2009	$	113	220,375	(48,381)	(5,540)	166,567		166,567
BALANCE, DECEMBER 31, 2009	$	493	296,438	(153,434)	(1,926)	141,571		141,571
Net loss	(72,218)			(72,218)		(72,218)	447	(71,771)
Net unrealized losses on securities available for sale	(394)				(394)	(394)		(394)
Comprehensive loss	$ (72,612)							
Cumulative effect of change in accounting principle							307	307
Non-controlling interest distributions							(338)	(338)
Issuance of Class A common stock		47	6,881			6,928		6,928
Share based compensation expense			1,163			1,163		1,163

BALANCE, JUNE 30, 2010	$	540	304,482	(225,652)	(2,320)	77,050	416	77,466

See Notes to Consolidated Financial Statements Unaudited

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS UNAUDITED

	For the Six Months Ended June 30,	
(In thousands)	**2010**	**2009**
Net cash provided by operating activities	$ 89,355	32,524
Investing activities:		
Purchase of interest-bearing deposits in other financial institutions	(33,863)	
Proceeds from redemption and maturities of investment securities and tax certificates	61,313	88,969
Purchase of investment securities and tax certificates	(93,142)	(57,896)
Purchase of securities available for sale	(21,397)	
Proceeds from sales of securities available for sale	46,911	205,679
Proceeds from maturities of securities available for sale	51,897	80,047
Purchases of FHLB stock		(2,295)
Redemption of FHLB stock		8,151
Investments in unconsolidated companies		(630)
Distributions from unconsolidated companies		174
Net decrease in loans	183,598	185,352
Proceeds from the sales of loans receivable	26,871	5,427
Improvements to real estate owned	(800)	(577)
Proceeds from sales of real estate owned	12,362	1,372
Disposals of office properties and equipment	528	144
Additions to office properties and equipment	(2,424)	(1,720)
Net cash provided by investing activities	231,854	512,197
Financing activities:		
Net increase in deposits	18,573	135,251
Prepayment of FHLB advances	(2,061)	(526,032)
Net (repayments) proceeds from FHLB advances	(165,000)	154,000
Increase (decrease) in short-term borrowings	7,478	(253,049)
Repayment of bonds payable	(45)	(90)
Prepayments of bonds payable	(661)	
Proceeds from issuance of Class A common stock	6,928	
Noncontrolling interest distributions	(338)	
Common stock dividends		(282)
Net cash used in financing activities	(135,126)	(490,202)
Increase in cash and cash equivalents	186,083	54,519
Cash and cash equivalents at the beginning of period	234,797	158,957
Cash and cash equivalents at end of period	$ 420,880	213,476

See Notes to Consolidated Financial Statements Unaudited

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
(In thousands)	**2010**	**2009**
Cash paid or received for:		
Interest on borrowings and deposits	$ 14,925	40,242
Income tax refunds	31,692	
Supplementary disclosure of non-cash investing and financing activities:		
Loans and tax certificates transferred to real estate owned	22,115	16,403
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	
Securities purchased pending settlement	30,002	
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. On February 28, 2007, the Company completed the sale to Stifel Financial Corp. (Stifel) of Ryan Beck Holdings, Inc. (Ryan Beck), a subsidiary engaged in retail and institutional brokerage and investment banking. Under the terms of the Ryan Beck sales agreement, the Company received additional consideration based on Ryan Beck revenues over the two year period following the closing of the sale. Included in the Company s consolidated statement of operations in discontinued operations for the six months ended June 30, 2009 was $4.2 million of earn-out consideration.

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.

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 June 30, 2010 and December 31, 2009, the consolidated results of operations for the three and six months ended June 30, 2010 and 2009, and the consolidated stockholders equity and comprehensive income and cash flows for the six months ended June 30, 2010 and 2009. The results of operations for the three and six months ended June 30, 2010 are not necessarily indicative of results of operations that may be expected for the year ended December 31, 2010. The consolidated financial statements and related notes are presented as permitted by Form 10-Q and should be read in conjunction with the notes to the consolidated financial statements appearing in the Company s Annual Report on Form 10-K for the year ended December 31, 2009.

Certain amounts for prior years have been reclassified to conform to the revised financial statement presentation for 2010. A joint venture that conducts a factoring business was presented under the equity method of accounting in our June 30, 2009 financial statements. This joint venture was consolidated in our June 30, 2010 financial statements upon the implementation of new accounting guidance effective January 1, 2010 (see note 14). 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 13).

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 $8.4 million as of June 30, 2010, 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 $72.6 million would be due in December 2013 if interest is deferred until that date. The Parent Company s operating expenses for the three and six months ended June 30, 2010 were $3.4 million and $5.0 million, respectively, and $1.9 million and $3.6 million for the three and six months ended June 30, 2009, respectively. BankAtlantic s liquidity is dependent, in part, on its ability to maintain or increase deposit levels and the availability of borrowings under its lines of credit and Treasury and Federal Reserve lending programs. As of June 30, 2010, BankAtlantic had $454 million of cash and approximately $788 million of available unused borrowings, consisting of $588 million of unused FHLB line of credit capacity, $191 million of unpledged securities, and $9 million of available borrowing capacity at the Federal Reserve. However, such available borrowings are subject to periodic reviews and may be terminated, suspended or reduced at any time. Additionally, interest rate changes, additional collateral requirements, disruptions in the capital markets or deterioration in BankAtlantic s financial condition may reduce the amounts it is able to borrow or make terms of the borrowings and deposits less favorable. As a result, there is a risk that the cost of funds will increase or that the availability of funding sources may decrease.

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BankAtlantic Bancorp, Inc. and Subsidiaries

The substantial uncertainties throughout the Florida and national economies and U.S. banking industry coupled with current market conditions have adversely affected BankAtlantic Bancorp s and BankAtlantic s results. As of June 30, 2010, BankAtlantic s capital was in excess of all regulatory well capitalized levels. However, the Office of Thrift Supervision (OTS), at its discretion, can at any time require an institution to maintain capital amounts and ratios above the established well capitalized requirements based on its view of the risk profile of the specific institution. BankAtlantic s communications with the OTS include providing information on an ad-hoc, one-time or regular basis related to areas of regulatory oversight and bank operations. As part of such communications, BankAtlantic has provided to its regulators forecasts, strategic business plans and other information relating to anticipated asset balances, asset quality, capital levels, expenses, anticipated earnings, levels of brokered deposits and liquidity, and has indicated that BankAtlantic has no plans to pay dividends to the Parent Company. If higher capital requirements are imposed by its regulators, BankAtlantic could be required to raise additional capital. If BankAtlantic is required to raise additional capital, there is no assurance that the Parent Company or BankAtlantic would be successful in raising the additional capital on favorable terms or at all and may involve the issuance of securities in transactions highly dilutive to BankAtlantic Bancorp s existing shareholders. Although BankAtlantic Bancorp and BankAtlantic have experienced operating losses since June 2007, BankAtlantic maintains capital at well capitalized levels and the Parent Company believes that it maintains sufficient liquidity to fund operations at least through June 30, 2011. However, if unanticipated market factors emerge and/or the Company is unable to execute its plans or if BankAtlantic or the Company requires capital and the Company is unable to raise capital, it could have a material adverse impact on the Company s business, results of operations and financial condition.

2. Fair Value Measurement

The following table presents major categories of the Company s assets measured at fair value on a recurring basis at June 30, 2010 and December 31, 2009 (in thousands):

		Fair Value Measurements using		
Description	**As of June 30, 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	$ 135,573		135,573	
REMICS (1)	87,270		87,270	
Agency bonds	50,101		50,101	
Municipal bonds	570		570	
Other bonds	250			250
Foreign currency put options	638	638		
Equity securities	1,309	1,309		
Total	$ 275,711	1,947	273,514	250

Fair Value Measurements using

Description	As of December 31, 2009	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage-backed securities	$ 211,945		211,945	
REMICS (1)	107,347		107,347	
Bonds	250			250
Equity securities	785	785		
Total	$ 320,327	785	319,292	250

(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 were guaranteed by government agencies.

There were no recurring liabilities measured at fair value in the Company s financial statements as of June 30, 2010 and December 31, 2009.

BankAtlantic Bancorp, Inc. and Subsidiaries

The following table presents major categories of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2010 (in thousands):

	Other Bonds
Beginning Balance	$ 250
Total gains and losses (realized/unrealized)	
Included in earnings	
Included in other comprehensive income	
Purchases, issuances, and settlements	
Transfers in and/or out of Level 3	
Ending balance	$ 250

The following table presents major categories of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2009 (in thousands):

For the Three Months Ended:	Other Bonds	Equity Securities	Total
Beginning Balance	$ 250	1,252	1,502
Total gains and losses (realized/unrealized)			
Included in earnings		(1,378)	(1,378)
Included in other comprehensive income		336	336
Purchases, issuances, and settlements			
Transfers in and/or out of Level 3			
Ending balance	$ 250	210	460

For the Six Months Ended:	Other Bonds	Equity Securities	Total
Beginning Balance	$ 250	1,588	1,838
Total gains and losses (realized/unrealized)			
Included in earnings		(1,378)	(1,378)
Included in other comprehensive income			
Purchases, issuances, and settlements			
Transfers in and/or out of Level 3			
Ending balance	$ 250	210	460

The $1.4 million of loss included in securities activities, net in the Company s statement of operations for the three and six months ended June 30, 2009 represents an other-than-temporary impairment associated with a decline in value related to an equity investment in an unrelated financial institution.

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, mortgage-backed and real estate mortgage conduit securities 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

Other bonds and 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 adjusted 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.

The following table presents major categories of assets measured at fair value on a non-recurring basis as of June 30, 2010 (in thousands):

		Fair Value Measurements Using			
Description	June 30, 2010	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Impairments
Loans measured for impairment using the fair value of the underlying collateral	$ 302,199			302,199	74,584
Impaired real estate owned	6,578			6,578	1,364
Impaired real estate held for sale	3,490			3,490	1,532
Total	$ 312,267			312,267	77,480

The following table presents major categories of assets measured at fair value on a non-recurring basis as of June 30, 2009 (in thousands):

		Fair Value Measurements using			
Description	As of June 30, 2009	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Impairments
Loans measured for impairment using the fair value of the	$ 177,326			177,326	37,744

underlying collateral			
Impaired real estate owned	2,955	2,955	623
Impaired real estate held for sale	2,130	2,130	33
Impaired goodwill			9,124
Total	$ 182,411	182,411	47,524

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

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BankAtlantic Bancorp, Inc. and Subsidiaries

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 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 use Level 3 inputs in the determination of the fair values.

Impaired Real Estate Owned and Real Estate Held for Sale

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 a Level 3 valuation.

Impaired Goodwill

In determining the fair value of the Company s reporting units in the test of goodwill for impairment, the Company uses discounted cash flow valuation techniques. This method requires assumptions for expected cash flows and applicable discount rates. The aggregate fair value of all reporting units derived from the above valuation methodology is compared to the Company s market capitalization adjusted for a control premium in order to determine the reasonableness of the financial model output. A control premium represents the value an investor would pay above minority interest transaction prices in order to obtain a controlling interest in the respective company. The Company uses financial projections over a period of time considered necessary to achieve a steady state of cash flows for each reporting unit. The primary assumptions in the projections include anticipated growth in loans, tax certificates, securities, interest rates and revenue. The discount rates are estimated based on the Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and unsystematic risk and size premium adjustments specific to a particular reporting unit. The estimated fair value of a reporting unit is highly sensitive to changes in the discount rate and terminal value assumptions and, accordingly, minor changes in these assumptions could significantly impact the fair value assigned to a reporting unit. Future potential changes in these assumptions may impact the estimated fair value of a reporting unit and cause the fair value of the reporting unit to be below its carrying value. As a result of the significant judgments used in determining the fair value of the reporting units, the fair values of the reporting units use Level 3 inputs in the determination of fair value.

Goodwill of $13.1 million included on the Company s statement of financial condition as of June 30, 2010 and December 31, 2009 associated with BankAtlantic s capital services reporting unit was tested for potential impairment on September 30, 2009 (our annual testing date) and was determined not to be impaired. There were no events that have occurred since the annual testing date that the Company believes would more likely than not reduce the carrying value of our capital services reporting unit below its fair value.

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Financial Disclosures about Fair Value of Financial Instruments

	June 30, 2010		December 31, 2009	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 420,880	420,880	234,797	234,797
Interest bearing deposits in other financial institutions	33,863	33,863		
Securities available for sale	275,073	275,073	320,327	320,327
Derivatives	638	638		
Investment securities	1,500	1,500	1,500	1,500
Tax certificates	139,731	142,302	110,991	112,472
Federal home loan bank stock	48,751	48,751	48,751	48,751
Loans receivable including loans held for sale, net	3,387,725	3,014,876	3,694,326	3,392,681
Financial liabilities:				
Deposits	3,988,253	3,990,894	3,969,680	3,971,702
Securities sold under agreements to repurchase and short-term borrowings	34,749	34,749	27,271	27,271
Advances from FHLB	115,000	115,000	282,012	282,912
Subordinated debentures and bonds payable	22,000	21,051	22,697	20,645
Junior subordinated debentures	315,160	125,025	308,334	74,943

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, there is no assurance that the Company would 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.

Interest bearing deposits in other financial institutions are certificates of deposits 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 interest rate categories and into performing and non-performing categories. The fair value of performing loans is calculated by using an income approach with Level 3 inputs. The fair value of performing loans is 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 we believe take into account the risk of the cash flows of tax certificates relative to alternative investments.

The fair value of Federal Home Loan Bank 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 its book value. The fair value of certificates of deposit is based on an income approach with Level 3 inputs. The fair value is calculated using the discounted value of contractual cash flows with the discount rate estimated using current rates offered by BankAtlantic for similar remaining maturities.

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

The fair value of BankAtlantic s mortgage-backed bonds included in subordinated debentures and notes payable as of December 31, 2009 was based on discounted values of contractual cash flows at a market discount rate. The mortgage-backed bonds were retired during the six months ended June 30, 2010 resulting in a $7,000 loss.

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 $64.8 million of publicly traded trust preferred securities related to its junior subordinated debentures (public debentures). However, $250.4 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 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 June 30, 2010 and December 31, 2009, 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.

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 12 for the contractual amounts of BankAtlantic s financial instrument commitments.)

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3. Securities Available for Sale

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

	As of June 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government agency securities:				
Mortgage-backed securities	$ 127,159	8,414		135,573
Agency bonds	49,992	109		50,101
REMICS (1)	84,229	3,041		87,270
Total	261,380	11,564		272,944
Investment securities:				
Municipal bonds	574		4	570
Other bonds	250			250
Equity securities	1,260	51	2	1,309
Total investment securities	2,084	51	6	2,129
Total	$ 263,464	11,615	6	275,073

	As of December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government agency securities:				
Mortgage-backed securities	$ 202,985	8,961	1	211,945
REMICS (1)	104,329	3,037	19	107,347
Total	307,314	11,998	20	319,292
Investment securities:				
Other bonds	250			250
Equity securities	760	31	6	785
Total investment securities	1,010	31	6	1,035
Total	$ 308,324	12,029	26	320,327

(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 June 30, 2010 and December 31, 2009 (in thousands):

	As of June 30, 2010					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Municipal bonds	$ 570	(4)			570	(4)
Equity securities			8	(2)	8	(2)
Total available for sale securities:	$ 570	(4)	8	(2)	578	(6)

	As of December 31, 2009					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$		159	(1)	159	(1)
REMICS			21,934	(19)	21,934	(19)
Equity securities	4	(6)			4	(6)
Total available for sale securities:	$ 4	(6)	22,093	(20)	22,097	(26)

The unrealized losses on the equity securities and municipal bonds are insignificant. Accordingly, the Company does not consider these investments other-than-temporarily impaired at June 30, 2010.

Unrealized losses on debt securities outstanding greater than twelve months at December 31, 2009 were caused primarily by interest rate changes. These securities are guaranteed by government sponsored enterprises. These securities are of high credit quality, and management believes that these securities may recover their losses in the foreseeable future. Further, management does not currently intend to sell these debt securities and believes it will not be required to sell these debt securities before the price recovers.

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

	Debt Securities Available for Sale	
June 30, 2010 (1)	**Amortized Cost**	**Estimated Fair Value**
Due within one year	$ 718	718
Due after one year, but within five years	50,138	50,245
Due after five years, but within ten years	27,708	28,585
Due after ten years	183,640	194,216

Total	$ 262,204	273,764

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

BankAtlantic Bancorp, Inc. and Subsidiaries

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Gross gains on securities sales	$	2,070	3,138	6,510
Gross losses on securities sales				
Proceed from sales of securities		43,277	46,911	205,679

Management reviews its investments portfolio for other-than-temporary declines in value quarterly. As a consequence of the review during 2009, the Company recognized $1.4 million other-than-temporary declines in value related to an equity investment in an unrelated financial institution.

4. Derivatives

During the three months ended June 30, 2010, BankAtlantic expanded its cruise ship automated teller machine (ATM) operations and began dispensing foreign currency from certain ATMs on cruise ships. At June 30, 2010, BankAtlantic had $6.5 million of foreign currency in cruise ship ATMs and recognized a $0.7 million foreign currency unrealized exchange loss which is included in other income in the Company s statement of operations. BankAtlantic purchased foreign currency put options as an economic hedge for the foreign currency in its cruise ship ATM s. The terms of the put options and the fair value as of June 30, 2010 were as follows (in thousands, except strike price):

Contract Amount	Expiration Date	Strike Price	Premium	Fair Value
2,800	Nov-10	$ 1.34	$ 166	333
1,600	Dec-10	1.34	104	200
400	Jan-11	1.34	28	53
400	Apr-11	1.34	31	52
5,200			$ 329	638

Included in securities activities, net in the Company s statement of operations was $0.3 million of unrealized gains associated with the above put options for the three and six months ended June 30, 2010. The put options were included in derivatives in the Company s statement of financial condition as of June 30, 2010.

5. Discontinued Operations

On February 28, 2007, the Company sold Ryan Beck to Stifel. The Stifel sales agreement provided for contingent earn-out payments, payable in cash or shares of Stifel common stock, at Stifel s election, based on certain defined Ryan Beck revenues during the two-year period immediately following the Ryan Beck sale, which ended on February 28, 2009. The contingent earn-out payments were accounted for when earned as additional proceeds from the sale of Ryan Beck common stock. The Company received additional earn-out consideration of $4.2 million during the six months ended June 30, 2009.

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BankAtlantic Bancorp, Inc. and Subsidiaries

6. Restructuring Charges and Exit Activities

The following provides liabilities associated with restructuring charges and exit activities (in thousands):

	Employee Termination Benefits Liability	Contract Liability	Total Liability
Balance at January 1, 2009	$ 171	1,462	1,633
Expenses incurred	1,946	1,301	3,247
Amounts paid or amortized	(1,693)	(60)	(1,753)
Balance at June 30, 2009	$ 424	2,703	3,127

	Employee Termination Benefits Liability	Contract Liability	Total Liability
Balance at January 1, 2010	$ 10	3,681	3,691
Expenses incurred		216	216
Amounts paid or amortized	(10)	(330)	(340)
Balance at June 30, 2010	$	3,567	3,567

In March 2009, the Company reduced its workforce by approximately 130 associates, or 7%, impacting back-office functions as well as our community banking and commercial lending business units. The Company incurred $1.9 million of employee termination costs which were included in the Company s consolidated statements of operations for the six months ended June 30, 2009. There was no reduction in workforce during the six months ended June 30, 2010; however, in July 2010 the Company reduced its workforce by approximately 105 associates, or 7%, which is not reflected in the Company s statement of operations for the three and six months ended June 30, 2010.

Beginning in December 2007, BankAtlantic terminated leases or sought to sublease properties that it had previously leased for future branch expansion program. These operating leases were fair valued and are amortized 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 six months ended June 30, 2010 and 2009, the Company recognized $0.2 million and $1.3 million, respectively, of contract termination liabilities in connection with operating leases executed for future branch expansion. In addition, during the six months ended June 30, 2010, BankAtlantic transferred a recently constructed $1.9 million branch facility to assets held for sale based on its decision to seek a buyer for the asset. BankAtlantic also transferred $1.3 million of land from assets held for sale to property held for use as BankAtlantic suspended efforts to seek a buyer due to adverse real estate market conditions in the area where the land was located.

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7. Loans Receivable

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

	June 30, 2010	December 31, 2009
Real estate loans:		
Residential	$ 1,395,690	1,549,791
Builder land loans	23,482	57,807
Land acquisition and development	150,305	182,235
Land acquisition, development and construction	14,327	26,184
Construction and development	180,469	211,809
Commercial	707,850	688,386
Consumer home equity	633,126	669,690
Small business	211,829	213,591
Other loans:		
Commercial business	129,648	155,226
Small business non-mortgage	95,717	99,113
Consumer loans	19,300	15,935
Deposit overdrafts	5,701	4,816
Total gross loans	3,567,444	3,874,583
Adjustments:		
Premiums, discounts and net deferred fees	2,282	2,414
Allowance for loan losses	(187,862)	(187,218)
Loans receivable net	$ 3,381,864	3,689,779
Loans held for sale	$ 5,861	4,547

Loans held for sale at June 30, 2010 and December 31, 2009 are loans originated with the assistance of an independent mortgage company. The mortgage company provides processing and closing assistance to BankAtlantic. Pursuant to an agreement, the mortgage company purchases the loans from BankAtlantic within a defined period of time after the date of funding. BankAtlantic earns the interest income during the period that BankAtlantic owns the loan. Gains from the sale of loans held for sale were $87,000 and $141,000 for the three and six months ended June 30, 2010, respectively, and were $151,000 and $263,000 for the three and six months ended June 30, 2009, respectively.

The Company sold a land acquisition and development loan during the three months ended June 30, 2010 for net proceeds of $450,000 resulting in net charge-offs of $453,000. During the six months ended June 30, 2010, the Company sold builder land bank loans and land acquisition and development loans for net proceeds of $26.9 million resulting in charge-offs of $20.1 million. Since the Company had established $17.7 million of specific valuation allowances on these loans as of December 31, 2009, the Company incurred a $2.4 million additional writedown in connection with the sales.

Undisbursed loans in process consisted of the following components (in thousands):

	June 30,	December 31,

	2010	2009
Construction and development	$ 33,403	43,432
Commercial	30,159	25,696
Total undisbursed loans in process	$ 63,562	69,128

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Allowance for Loan Losses (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Balance, beginning of period	$ 177,597	158,397	187,218	137,257
Loans charged-off	(39,167)	(30,332)	(80,590)	(54,261)
Recoveries of loans previously charged-off	879	661	1,926	1,453
Net charge-offs	(38,288)	(29,671)	(78,664)	(52,808)
Provision for loan losses	48,553	43,494	79,308	87,771
Balance, end of period	$ 187,862	172,220	187,862	172,220

The following summarizes impaired loans (in thousands):

	June 30, 2010		December 31, 2009	
	Gross Recorded Investment	Specific Allowances	Gross Recorded Investment	Specific Allowances
Impaired loans with specific valuation allowances	$ 368,312	101,100	249,477	70,485
Impaired loans without specific valuation allowances	208,734		196,018	
Total	$ 577,046	101,100	445,495	70,485

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 continuously 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 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 June 30, 2010 was $396.8 million of collateral dependent loans, of which $197.7 million were measured for impairment using current appraisals and $199.1 million were measured by adjusting appraisals that were less than one year 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 $37.2 million to reflect current market conditions on 30 loans due to property value declines since the last appraisal dates.

As of June 30, 2010, impaired loans with specific valuation allowances had been previously written down by $88.3 million and impaired loans without specific valuation allowances had been previously written down by $58.6 million. BankAtlantic had commitments to lend $5.3 million of additional funds on impaired loans as of

June 30, 2010.

BankAtlantic Bancorp, Inc. and Subsidiaries

Interest income which would have been recorded under the contractual terms of impaired loans and the interest income actually recognized were (in thousands):

	For the Three Months Ended June 30, 2010	2009	For the Six Months Ended June 30, 2010	2009
Contracted interest income	$ 6,388	6,408	12,065	11,505
Interest income recognized	(769)	(734)	(1,013)	(1,428)
Foregone interest income	$ 5,619	5,674	11,052	10,077

8. Goodwill

The Company tests goodwill for potential impairment annually or during interim periods if impairment indicators exist. In response to the deteriorating economic and real estate environments and the effects that the external environment had on BankAtlantic s business units, BankAtlantic has reduced its asset balances with a view toward strengthening its regulatory capital ratios and revised its projected operating results to reflect a smaller organization. Based on the results of an interim goodwill impairment evaluation undertaken during the first quarter of 2009, the Company recorded an impairment charge of $9.1 million during the six months ended June 30, 2009. No such impairments were recorded during the six months ended June 30, 2010.

9. Short-term Borrowings, Common Stock and Share-based Compensation

The Company distributed to each holder of record who owned shares of the Company s Class A common stock and Class B common stock on June 14, 2010 non-transferable subscription rights to purchase 0.327 shares of Class A common stock for each share of Class A and Class B common stock owned on that date. The rights offering was for an aggregate amount of $25 million with a subscription price of $1.50 per share. Shareholders who exercised their basic subscription rights in full were given the opportunity to request to purchase additional shares of the Company s Class A common stock that were not subscribed for in the rights offering.

During June 2010, BFC Financial Corporation (BFC) exercised its basic subscription rights, in full, amounting to 5,986,865 shares, and requested to purchase an additional 4,013,135 shares of Class A common stock to the extent available. In connection with the exercise of its subscription rights, BFC delivered to the Company $15.0 million in cash, which represented the full purchase price for all of the shares subscribed for by BFC. In exchange, the Company issued to BFC 4,697,184 shares of Class A common stock, which represented substantially all of its basic subscription rights exercised (less only rights relating to shares held in street name), and delivered to BFC a $8.0 million promissory note for the balance of the funds received. The promissory note had a scheduled maturity of July 30, 2010 and was payable in cash or shares of Class A common stock issuable to BFC in connection with its exercise of subscription rights in the rights offering. The $7.0 million of proceeds relating to the shares of Class A common stock issued to BFC in June 2010 were included in stockholders equity in the Company s statement of financial condition as of June 30, 2010. The promissory note was included in short-term borrowings in the Company s statement of financial condition as of June 30, 2010. The delivery of funds by BFC directly to the Company in connection with the exercise of its subscription rights enabled the Company to contribute the $15.0 million of proceeds from the promissory note and the issuance of Class A common stock to BankAtlantic as a capital contribution prior to the end of the 2010 second quarter.

In July 2010 in connection with the completion of the rights offering, the Company satisfied the promissory note due to BFC in accordance with its terms by issuing to BFC the additional 5,302,816 shares of the Company s Class A common stock subscribed for by BFC in the rights offering.

The rights offering was completed on July 20, 2010 with the Company issuing an aggregate of 13,340,379 shares of Class A common stock for net proceeds of approximately $20 million, including 10,000,000 shares issued to BFC.

In February 2010, the Board of Directors granted to employees 1,600,000 of restricted stock awards (RSA) under the BankAtlantic Bancorp, Inc. 2005 Restricted Stock and Option Plan. The Board of Directors also granted 75,000 shares of RSAs to employees of 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.

BankAtlantic Bancorp, Inc. and Subsidiaries

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	(3,900)	35.85
Forfeited	(5,000)	1.24
Granted	1,675,000	1.24
Outstanding at June 30, 2010	1,685,900	$ 1.64

10. Related Parties

The Company, Woodbridge Holdings LLC (Woodbridge , the successor by merger to Woodbridge Holdings Corporation which was formerly Levitt Corporation) and Bluegreen Corp. (Bluegreen) may be deemed to be under common control. The controlling shareholder of the Company, Woodbridge 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 Woodbridge to provide information technology support in exchange for monthly payments by Woodbridge to BankAtlantic. In May 2008, BankAtlantic also entered into a lease agreement with BFC under which BFC will pay 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, investor relations and other support 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 each by BankAtlantic and the Parent Company and, if BFC s efforts result in net recoveries of any nonperforming loan or the sale of real estate owned, it will receive a fee equal to 1% of the net value recovered.

The table below indicates the amounts paid relating to these service arrangements which are included in the Company s consolidated statement of operations for the three and six months ended June 30, 2010 and 2009 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Non-interest income:				
Other office facilities	$ 148	137	289	260
Non-interest expense:				
Employee compensation and benefits	(25)	(29)	(46)	(58)
Other back-office support	(675)	(465)	(1,167)	(906)

Net effect of affiliate transactions before income taxes	$ (552)	(357)	(924)	(704)

The Company in prior periods issued options to purchase shares of the Company s Class A common stock to employees of Woodbridge prior to the spin-off of Woodbridge to the Company s shareholders. Additionally, certain 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 accounts for these options to former employees as employee stock options because these individuals were employees of the Company on the grant date.

BankAtlantic Bancorp, Inc. and Subsidiaries

Outstanding options held by former employees consisted of the following as of June 30, 2010:

	Class A Common Stock	Weighted Average Price
Options outstanding	44,176	$ 52.38
Options non-vested	5,281	$ 95.10

During the year ended December 31, 2007, the Company issued to BFC employees that perform services for the Company, options to acquire 9,800 shares of the Company s Class A common stock at an exercise price of $46.90. These options vest in five years and expire ten years from the grant date. The Company recognizes service provider expense on options over the vesting period measured based on the option fair value at each reporting period. The Company recorded $12,000 and $25,000 of service provider expenses relating to these options for the three and six months ended June 30, 2010 and 2009, respectively.

BankAtlantic, as the seller of securities, entered into securities sold under agreements to repurchase transactions with Woodbridge and BFC in the aggregate of $6.3 million as of June 30, 2009. The Company recognized $9,000 and $28,000 of interest expense in connection with the above repurchase transactions for the three and six months ended June 30, 2009, respectively. These transactions have the same general terms as BankAtlantic s repurchase agreements with unaffiliated third parties. There were no securities sold under agreements to repurchase transactions with Woodbridge or BFC during the six months ended June 30, 2010.

BFC and its subsidiaries had deposits at BankAtlantic totaling $3.8 million as of June 30, 2010. The deposits were on the same general terms as offered to unaffiliated third parties.

As of December 31, 2009, BFC had $7.7 million deposited through the Certificate of Deposit Account Registry Service (CDARS) program at BankAtlantic. The CDARS program facilitates the placement of funds into certificates of deposit issued by other financial institutions in increments less than the standard FDIC insurance maximum to insure that both principal and interest are eligible for full FDIC insurance coverage. BankAtlantic received $28.4 million of deposits from other participating CDARS financial institutions customers in connection with this program, and these amounts are included as brokered deposits in the Company s statement of financial condition as of December 31, 2009. BFC and its subsidiaries did not have funds deposited through the CDARS program as of June 30, 2010.

In connection with the Company s rights offering, BFC exercised its subscription rights to purchase an aggregate of 10,000,000 shares of the Company s Class A Common Stock for an aggregate purchase price of $15 million, resulting in an increase in BFC s ownership interest in the Company by approximately 8% from 37% to 45% and an increase in BFC s voting interest by approximately 5% from 66% to 71%.

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BankAtlantic Bancorp, Inc. and Subsidiaries

11. 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, 2009. Intersegment transactions are eliminated in consolidation.

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 and six months ended June 30, 2010 and 2009 (in thousands):

For the Three Months Ended:	BankAtlantic	Parent Company	Adjusting and Elimination Entries	Segment Total
2010				
Interest income	$ 43,271	81	(3)	43,349
Interest expense	(6,263)	(3,660)	3	(9,920)
(Provision) for loan losses	(43,634)	(4,919)		(48,553)
Non-interest income	26,271	511	(259)	26,523
Non-interest expense	(59,515)	(3,393)	259	(62,649)
Segment loss before income taxes	(39,870)	(11,380)		(51,250)
Provision for income taxes				
Segment net loss	$ (39,870)	(11,380)		(51,250)
Total assets	$ 4,611,282	401,842	(357,524)	4,655,600
2009				
Interest income	$ 56,991	196	(7)	57,180
Interest expense	(16,913)	(4,002)	7	(20,908)
(Provision) for loan losses	(35,955)	(7,539)		(43,494)

Non-interest income	32,776	(973)	(281)	31,522
Non-interest expense	(61,077)	(1,860)	281	(62,656)
Segment loss before income taxes	(24,178)	(14,178)		(38,356)
Segment net loss	$ (24,178)	(14,178)		(38,356)
Total assets	$ 5,189,711	469,533	(398,219)	5,261,025

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BankAtlantic Bancorp, Inc. and Subsidiaries

For the Six Months Ended:	BankAtlantic	Parent Company	Adjusting and Elimination Entries	Segment Total
2010				
Interest income	$ 90,986	159	(8)	91,137
Interest expense	(14,519)	(7,223)	8	(21,734)
(Provision) for loan losses	(75,668)	(3,640)		(79,308)
Non-interest income	54,528	969	(510)	54,987
Non-interest expense	(112,236)	(5,037)	510	(116,763)
Segment loss before income taxes	(56,909)	(14,772)		(71,681)
Provision for income taxes	(90)			(90)
Segment net loss	$ (56,999)	(14,772)		(71,771)
2009				
Interest income	$ 119,400	405	(16)	119,789
Interest expense	(37,553)	(8,232)	16	(45,769)
(Provision) for loan losses	(79,475)	(8,296)		(87,771)
Non-interest income	65,641	(513)	(497)	64,631
Non-interest expense	(132,780)	(3,564)	497	(135,847)
Segment loss before income taxes	(64,767)	(20,200)		(84,967)
Segment net loss	$ (64,767)	(20,200)		(84,967)

12. Financial Instruments with Off-balance Sheet Risk

Financial instruments with off-balance sheet risk were (in thousands):

	June 30, 2010	December 31, 2009
Commitments to sell fixed rate residential loans	$ 19,663	23,255
Commitments to originate loans held for sale	13,801	18,708
Commitments to originate loans held to maturity	16,312	43,842
Commitments to extend credit, including the undisbursed portion of loans in process	383,201	396,627
Standby letters of credit	14,665	13,573
Commercial lines of credit	87,960	74,841

Standby letters of credit are conditional commitments issued by BankAtlantic to guarantee the performance of a customer to a third party. BankAtlantic s standby letters of credit are generally issued to customers in the construction industry guaranteeing project performance. These types of standby letters of credit had a maximum exposure of $12.8 million at June 30, 2010. BankAtlantic also issues standby letters of credit to commercial lending customers guaranteeing the payment of goods and services. These types of standby letters of credit had a maximum exposure of

$1.8 million at June 30, 2010. These guarantees are primarily issued to support public and private borrowing arrangements and have maturities of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. BankAtlantic may hold certificates of deposit and residential and commercial liens as collateral for such commitments. Included in other liabilities at June 30, 2010 and December 31, 2009 were in each period $5,000 of unearned guarantee fees. There were no obligations associated with these guarantees recorded in the financial statements.

In the ordinary course of business, the Company and its subsidiaries are parties to lawsuits as plaintiff or defendant involving its bank operations and investing activities. Although the Company believes it has meritorious defenses in all current legal actions, the outcome of the various legal actions is uncertain. Management, based on discussions with legal counsel, has recognized legal reserves of $1.0 million and believes its results of operations or financial condition will not be materially impacted by the resolution of these matters. However, there is no assurance that the Company will not incur losses in excess of reserved amounts or in amounts that will be material to its results of operations or financial condition.

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Concentration of Credit Risk

BankAtlantic has a high concentration of its consumer home equity and commercial loans in the State of Florida. Real estate values and general economic conditions have significantly deteriorated since the origination dates of these loans. If market conditions in Florida do not improve or deteriorate further, BankAtlantic may be exposed to significant credit losses in these loan portfolios.

BankAtlantic purchases residential loans located throughout the country. The majority of these residential loans are jumbo residential loans. A jumbo loan has a principal amount above the industry-standard definition of conventional conforming loan limits. These loans could potentially have outstanding loan balances significantly higher than related collateral values in distressed areas of the country as a result of the decline in real estate values in residential housing markets. Also included in this purchased residential loan portfolio are interest-only loans. The structure of these loans results in possible increases in a borrower s loan payments when the contractually required repayments change due to interest rate movement and the required amortization of the principal amount. These payment increases could affect a borrower s ability to meet the debt service on or repay the loan and lead to increased defaults and losses. At June 30, 2010, BankAtlantic s residential loan portfolio included $640.0 million of interest-only loans, which represents 48.8% of the residential loan portfolio, with 26.1% of the aggregate principal amount of these interest-only loans secured