BANKATLANTIC BANCORP INC
Form 10-K
March 19, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

þ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Year Ended December 31, 2009

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

Commission File 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 Ft. Lauderdale, Florida	**33309**
(Address of principal executive offices)	(Zip Code)

(954) 940-5000
(Registrant s telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of Each Class	**Name of Each Exchange on Which Registered**
Class A Common Stock, Par Value $0.01 Per Share	**New York Stock Exchange**

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO þ

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

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 o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller reporting company þ
		(Do not check if a smaller reporting company)	

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

The aggregate market value of the voting common equity held by non-affiliates was $28.7 million, computed by reference to the closing price of the registrant s Class A Common Stock on June 30, 2009. The registrant does not have any non-voting common equity.

The number of shares of the registrant s Class A Common Stock outstanding on March 11, 2010 was 48,264,842. The number of shares of the registrant s Class B Common Stock outstanding on March 11, 2010 was 975,225.

Portions of the registrant s Definitive Proxy Statement relating to its 2010 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

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PART I

ITEM I. BUSINESS

Except for historical information contained herein, the matters discussed in this document contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve substantial risks and uncertainties. Actual results, performance, or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements contained herein. These forward-looking statements are based largely on the expectations of BankAtlantic Bancorp, Inc. (the Company , which may also be referred to as we, us, or our) and are subject to a number of risks and uncertainties that are subject to change based on factors which are, in many instances, beyond the Company s control. These include, but are not limited to, risks and uncertainties associated with: the impact of economic, competitive and other factors affecting the Company and its operations, markets, products and services, including the impact of the changing regulatory environment, a continued or deepening recession, decreases in real estate values, and increased unemployment on our business generally, our regulatory capital ratios, and the ability of our borrowers to service their obligations and of our customers to maintain account balances; credit risks and loan losses, and the related sufficiency of the allowance for loan losses, including the impact on the credit quality of our loans (including those held in the asset workout subsidiary of the Company) of a sustained downturn in the economy and in the real estate market and other changes in the real estate markets in our trade area, and where our collateral is located; the quality of our real estate based loans including our residential land acquisition and development loans (including Builder land bank loans, Land acquisition and development loans and Land acquisition, development and construction loans) as well as Commercial land loans, other Commercial real estate loans, Residential loans and Consumer loans, and conditions specifically in those market sectors; the quality of our Commercial business loans and conditions specifically in that market sector; the risks of additional charge-offs, impairments and required increases in our allowance for loan losses; changes in interest rates and the effects of, and changes in, trade, monetary and fiscal policies and laws including their impact on the bank s net interest margin; new consumer banking regulations and the effect on our service fee income; adverse conditions in the stock market, the public debt market and other financial and credit markets and the impact of such conditions on our activities, the value of our assets and on the ability of our borrowers to service their debt obligations and maintain account balances; BankAtlantic s initiatives not resulting in continued growth of core deposits or increasing average balances of new deposit accounts or producing results which do not justify their costs; the success of our expense reduction initiatives and the ability to achieve additional cost savings or to maintain the current lower expense structure; and the impact of periodic valuation testing of goodwill, deferred tax assets and other assets. Past performance, actual or estimated new account openings and growth may not be indicative of future results. Forward-looking statements in this document relating to the Company s cash offers to purchase the outstanding Trust Preferred Securities (TruPS) are subject to the risk that the requisite holders of the particular series of TruPS to which each offer relates do not consent and tender, and that if received we are not able to obtain financing upon acceptable terms, in amounts sufficient to complete the offers, if at all. In addition to the risks and factors identified above, reference is also made to other risks and factors detailed in this annual report on Form 10-K, including Item 1A. Risk Factors. The Company cautions that the foregoing factors are not exclusive.

The Company

We are a Florida-based bank holding company and own BankAtlantic and its subsidiaries. BankAtlantic provides a full line of products and services encompassing retail and business banking. We report our operations through two business segments consisting of BankAtlantic and BankAtlantic Bancorp, (the Parent Company .) Detailed operating financial information by segment is included in note 27 to the Company s consolidated financial statements. 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. As a consequence, the Company exited this line of business and the results of operations of Ryan Beck are presented as Discontinued Operations in the Company s consolidated financial statements.

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Our Internet website address is www.bankatlanticbancorp.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge through our website, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). Our Internet website and the information contained in or connected to our website are not incorporated into, and are not part of this Annual Report on Form 10-K.

As of December 31, 2009, we had total consolidated assets of approximately $4.8 billion and stockholders equity of approximately $142 million.

BankAtlantic

BankAtlantic is a federally-chartered, federally-insured savings bank organized in 1952. It is one of the largest financial institutions headquartered in Florida and provides traditional retail banking services and a wide range of business banking products and related financial services through a network of 100 branches or stores in southeast Florida and the Tampa Bay area, primarily in the metropolitan areas surrounding the cities of Miami, Ft. Lauderdale, West Palm Beach and Tampa, which are located in the heavily-populated Florida counties of Miami-Dade, Broward, Palm Beach, Hillsborough and Pinellas.

BankAtlantic s primary business activities have included:

attracting checking and savings deposits from individuals and business customers,

originating commercial real estate, middle market, consumer home equity and small business loans,

purchasing wholesale residential loans, and

investing in mortgage-backed securities and tax certificates.

BankAtlantic s business strategy

BankAtlantic began its Florida s Most Convenient Bank strategy in 2002, when it introduced seven-day banking in Florida. This banking initiative has contributed to a significant increase in core deposits (demand deposit accounts, NOW checking accounts and savings accounts). BankAtlantic s core deposits increased from approximately $600 million as of December 31, 2001 to $2.6 billion as of December 31, 2009. Additionally, while the increase in core deposits during 2009 may reflect, in part, market conditions generally, we believe that the implementation of our local market management strategy in 2008 and our relationship marketing strategy in 2009 have enhanced our visibility in our market, increased customer loyalty and contributed significantly to the increase in core deposit balances.

BankAtlantic exceeded all applicable regulatory capital requirements and was considered a well capitalized financial institution at December 31, 2009. See Regulation and Supervision Capital Requirements for an explanation of capital standards. Management has implemented initiatives with a view toward maintaining adequate capital in response to the current adverse economic environment. These initiatives primarily include the reduction of risk-based asset levels through loan and securities repayments in the ordinary course, eliminating cash dividends to the Parent Company, and reducing expenses. These initiatives, while important to maintaining capital ratios, have also negatively impacted operations as the reduction in asset levels resulted in the reduction in earning assets adversely impacting our net interest income. Another source of regulatory capital for BankAtlantic was capital contributions from BankAtlantic Bancorp. During 2009 and 2008, BankAtlantic Bancorp contributed $105 million and $65 million, respectively, of capital to BankAtlantic. The $105 million capital contribution during 2009 was partially funded by the completion by BankAtlantic Bancorp of a $75 million rights offering.

BankAtlantic structures its underwriting policies and procedures with a goal of balancing its ability to offer competitive and profitable products and services to its customers while minimizing its exposure to credit risk. However, the economic recession and the substantial decline in real estate values throughout the United States, and particularly in Florida, have had an adverse impact on the credit quality of our loan portfolio. In response, we have taken steps to attempt to address credit risk which included:

Focused efforts and enhanced staffing relating to loan work-outs, collection processes and valuations;

Substantially reduced the origination of land and residential acquisition, development and construction loans;

Substantially reduced home equity loan originations through new underwriting requirements based on lower market values of collateral;

Transferred certain non-performing commercial real estate loans to the Parent Company in March 2008 in exchange for $94.8 million; and

Froze certain home equity loan unused lines of credit based on declines in borrower credit scores or the value of loan collateral;

Notwithstanding the above, there is no assurance that the above initiatives will reduce the credit risk in our loan portfolio. During 2009, our allowance for loan losses increased from $137.3 million at December 31, 2008 to $187.2 million at December 31, 2009 reflecting the continued deteriorating of economic conditions in our markets.

We also continued our initiatives to decrease operating expenses during 2009. These initiatives included lowering advertising and marketing expenditures, maintaining reduced store and call center hours and reductions in back-office operations, and staffing levels, and renegotiating vendor contracts. During 2010, management intends to seek further efficiencies and to maintain its decreased expense organizational structure. BankAtlantic is also continuing to evaluate its products and services as well as its delivery systems and back-office support infrastructure with a view toward enhancing its operational efficiency.

As part of BankAtlantic s efforts to diversify its loan portfolio, during 2009, BankAtlantic focused on originating small business and middle market commercial loans through its retail and lending networks. BankAtlantic anticipates a continued emphasis on small business and middle market lending and expects the percentage represented by its commercial real estate and residential mortgage loan portfolio balances to decline during 2010 through the scheduled repayment of existing loans and significant reductions in commercial real estate loan originations and residential loan purchases.

Loan Products

BankAtlantic offers a number of lending products to its customers. Historically, primary lending products have included residential loans, commercial real estate loans, consumer loans and small and middle market business loans.

Residential: Historically, BankAtlantic has purchased residential loans in the secondary markets that have been originated by other institutions. These loans, which are serviced by independent servicers, are secured by properties located throughout the United States. Residential loans are typically purchased in bulk and are generally non-conforming loans under agency guidelines due to the size of the individual loans (jumbo loans). BankAtlantic set general guidelines for loan purchases relating to loan amount, type of property, state of residence, loan-to-value ratios, the borrower s sources of funds, appraised amounts and loan documentation, but actual purchases will generally reflect availability and market conditions, and may vary from BankAtlantic s general guidelines. Included in these purchased residential loans are interest-only loans. These loans result in possible future increases in a borrower s loan payments when the contractually required repayments increase due to interest rate adjustments and when required amortization of the principal amount commences. These payment increases could affect a borrower s ability to repay the loan and lead to increased defaults and losses. At December 31, 2009, BankAtlantic s residential loan portfolio included $776.2 million of interest-only loans, $65.2 million of which will become fully amortizing and have interest rates reset in 2010. The credit scores and loan-to-value ratios for interest-only loans are similar to those of amortizing loans. BankAtlantic has attempted to manage the credit risk associated with these loans by limiting purchases of interest-only loans to those originated to borrowers that it believes to be credit worthy, with loan-to-value and total debt to income ratios within agency guidelines. BankAtlantic does not purchase or originate sub-prime, option-arm, pick-a-payment or negative amortizing residential loans. Loans in the purchased residential loan portfolio generally do not have prepayment penalties. As

part of its initiative to reduce assets with a view toward improving liquidity and regulatory capital ratios, BankAtlantic did not purchase any bulk residential loans during the year ended December 31, 2009.

BankAtlantic also originates residential loans to customers that are then sold on a servicing released basis to a correspondent. It also originates and holds certain residential loans, which are made primarily to low to moderate income borrowers in accordance with requirements of the Community Reinvestment Act. The underwriting of these loans generally follows government agency guidelines and independent appraisers typically perform on-site inspections and valuations of the collateral.

Commercial Real Estate: BankAtlantic provides commercial real estate loans for acquisition, development and construction of various types of properties including office buildings, retail shopping centers, residential construction and other non-residential properties. BankAtlantic also provides loans to acquire or refinance existing income-producing properties. These loans are primarily secured by property located in Florida. Commercial real estate loans are generally originated in amounts based upon the appraised value of the collateral or estimated cost to construct, generally have a loan to value ratio at the time of origination of less than 80%, and generally require that one or more of the principals of the borrowing entity guarantee these loans. Most of these loans have variable interest rates and are indexed to either prime or LIBOR rates.

Historically, we made three categories of commercial real estate loans that we believe have resulted in significant exposure to BankAtlantic based on declines in the Florida residential real estate market. These categories are Builder land bank loans, Land acquisition and development loans, and Land acquisition, development and construction loans. The Builder land bank loan category consists of land loans to borrowers who have or had land purchase option agreements with regional and/or national builders. These loans were originally underwritten based on projected sales of the developed lots to the builders/option holders, and timely repayment of the loans is primarily dependent upon the sale of the property pursuant to the options. If the lots are not sold as originally anticipated, BankAtlantic anticipates that the borrower may not be in a position to service the loan, with the likely result being an increase in nonperforming loans and loan losses in this category. The Land acquisition and development loan category consists of loans secured by residential land which was intended to be developed by the borrower and sold to homebuilders. We believe that the underwriting on these loans was generally more stringent than Builder land bank loans, as an option agreement with a regional or national builder did not exist at the origination date. The Land acquisition, development and construction loans are secured by residential land which was intended to be fully developed by the borrower who also might have plans to construct homes on the property. These loans generally involved property with a longer investment and development horizon, and are guaranteed by the borrower or individuals such that it is expected that the borrower will have the ability to service the debt for a longer period of time. However, based on the declines in value in the Florida real estate market, all loans collateralized by Florida real estate expose the Bank to significant risk.

BankAtlantic has also originated commercial non-residential land loans and commercial non-residential construction loans. These loans generally have higher credit exposure than commercial income producing commercial loans. BankAtlantic has significantly decreased the origination of these commercial land and commercial non-residential construction loans beginning in 2008.

BankAtlantic has historically sold participations in certain commercial real estate loans that it originated, and administers the loan and provides participants periodic reports on the progress of the project for which the loan was made. Major decisions regarding the loans are made by the participants on either a majority or unanimous basis. As a result, BankAtlantic generally cannot significantly modify the loans without either majority or unanimous consent of the participants. BankAtlantic s sale of loan participations has the effect of reducing its exposure on individual projects and was required in some cases, in order to comply with the regulatory loans to one borrower limitations. BankAtlantic has also purchased commercial real estate loan participations from other financial institutions and in such cases, BankAtlantic may not be in a position to control decisions made with respect to the loans.

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Standby Letters of Credit and Commitments: Standby letters of credit are conditional commitments issued by BankAtlantic to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is the same as extending loans to customers. BankAtlantic may hold certificates of deposit, liens on corporate assets and liens on residential and commercial property as collateral for letters of credit. BankAtlantic issues commitments for commercial real estate and commercial business loans.

Consumer: Consumer loans primarily consist of loans to individuals originated through BankAtlantic s retail network. Approximately 97% of consumer loans are home equity lines of credit secured by a first or second mortgage on the primary residence of the borrower. Approximately 24% of home equity lines of credit balances are secured by a first mortgage on the property. Home equity lines of credit have prime-based interest rates and generally mature in 15 years. Other consumer loans generally have fixed interest rates with terms ranging from one to five years. The credit quality of consumer loans is adversely impacted by increases in the unemployment rate and declining real estate values. During 2008 and 2009, BankAtlantic experienced higher than historical losses in this portfolio as a result of deteriorating economic conditions. In an attempt to address this issue, BankAtlantic has adopted more stringent underwriting criteria for consumer loans which has had the effect of significantly reducing consumer loan originations.

Middle Market commercial business: BankAtlantic lends on both a secured and unsecured basis, although the majority of its loans are secured. Middle market business loans are typically secured by the receivables, inventory, equipment, real estate, and/or general corporate assets of the borrowers. These loans generally have variable interest rates that are Prime or LIBOR based and are typically originated for terms ranging from one to five years.

Small Business: BankAtlantic originates small business loans to companies located primarily in markets within BankAtlantic s store network. Small business loans are primarily originated on a secured basis and generally do not exceed $1.0 million for non-real estate secured loans and $2.0 million for real estate secured loans. These loans are generally originated with maturities ranging from one to three years or upon demand; however, loans collateralized by real estate could have terms of up to fifteen years. Lines of credit extended to small businesses are due upon demand. Small business loans have either fixed or variable prime-based interest rates.

The composition of the loan portfolio was (in millions):

	As of December 31,									
	2009		**2008**		**2007**		**2006**		**2005**	
	Amount	**Pct**	**Amount**	**Pct**	**Amount**	**Pct**	**Amount**	**Pct**	**Amount**	**Pct**
Loans receivable:										
Real estate loans:										
Residential	$ 1,550	42.35	1,930	45.34	2,156	47.66	2,151	46.81	2,030	43.92
Consumer home equity	670	18.31	719	16.89	676	14.94	562	12.23	514	11.12
Construction and development	223	6.09	301	7.07	416	9.20	475	10.34	785	16.99
Commercial	897	24.51	930	21.85	882	19.49	973	21.17	979	21.18
Small business	213	5.82	219	5.14	212	4.69	187	4.07	152	3.29
Other loans:										

Commercial business	154	4.21	143	3.36	131	2.90	157	3.42	88	1.90
Small business non-mortgage	99	2.70	108	2.54	106	2.34	98	2.13	83	1.80
Consumer	21	0.57	26	0.61	31	0.68	26	0.57	27	0.59
Residential loans held for sale	4	0.11	3	0.07	4	0.09	9	0.20	3	0.06
Total	3,831	104.67	4,379	102.87	4,614	101.99	4,638	100.94	4,661	100.85
Adjustments:										
Unearned discounts (premiums)	(3)	-0.08	(3)	-0.07	(4)	-0.09	(1)	-0.02	(2)	-0.04
Allowance for loan losses	174	4.75	125	2.94	94	2.08	44	0.96	41	0.89
Total loans receivable, net	$ 3,660	100.00	4,257	100.00	4,524	100.00	4,595	100.00	4,622	100.00

At March 31, 2008, BankAtlantic transferred $101.5 million of non-performing commercial loans to a subsidiary of the Parent Company.

Included in BankAtlantic s commercial and construction and development loan portfolios were the following commercial residential loans (in millions):

	As of December 31,		
	2009	2008	2007
Builder land bank loans	$ 44	62	150
Land acquisition and development loans	172	210	245
Land acquisition, development and construction loans	11	32	108
Total commercial residential loans (1)	$ 227	304	503

(1) At March 31, 2008, $101.5 million of non-performing loans were transferred to a subsidiary of the Parent Company.

Investments

Securities Available for Sale: BankAtlantic invests in obligations of, or securities guaranteed by the U.S. government or its agencies, such as mortgage-backed securities and real estate mortgage investment conduits (REMICs), which are accounted for as securities available for sale. BankAtlantic s securities available for sale portfolio at December 31, 2009 reflects a decision to seek high credit quality and securities guaranteed by government sponsored enterprises in an attempt to minimize credit risk in its investment portfolio to the extent possible. The available for sale securities portfolio serves as a source of liquidity as well as a means to moderate the effects of interest rate changes. The decision to purchase and sell securities from time to time is based upon a current assessment of the economy, the interest rate environment, and capital and liquidity strategies and requirements. BankAtlantic s investment portfolio does not include credit default swaps, commercial paper, collateralized debt obligations, structured investment vehicles, auction rate securities, trust preferred securities or equity securities in Fannie Mae or Freddie Mac.

Tax Certificates: Tax certificates are evidences of tax obligations that are sold through auctions or bulk sales by various state and local taxing authorities. A tax obligation arises when the property owner fails to timely pay the real estate taxes on the property. Certain municipalities bulk sale their entire tax certificates for the prior year by auctioning the portfolio to the highest bidder instead of auctioning each certificate separately. Tax certificates represent a priority lien against the real property for the delinquent real estate taxes. The minimum repayment to satisfy the lien is the certificate amount plus the interest accrued through the redemption date, plus applicable penalties, fees and costs. Tax certificates have no payment schedule or stated maturity. If the certificate holder does not file for the deed within established time frames, the certificate may become null and void and lose its value. BankAtlantic s experience with this type of investment has generally been favorable because the rates earned are generally higher than many alternative investments and substantial repayments typically occur over a one-year period. During 2008, BankAtlantic discontinued acquiring tax certificates through bulk acquisitions as it experienced higher than historical losses from these types of acquisitions. During 2009 BankAtlantic purchased tax certificates primarily in Florida and expects that the majority of tax certificates it acquires in 2010 will be in Florida.

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The composition, yields and maturities of BankAtlantic s securities available for sale, investment securities and tax certificates were as follows (dollars in thousands):

	Tax Certificates	Mortgage-Backed Securities	Corporate Bond and Other	Total	Weighted Average Yield
December 31, 2009					
Maturity: (1)					
One year or less	$ 79,099	2	250	79,351	5.66%
After one through five years	33,373	123		33,496	5.65
After five through ten years		31,121		31,121	4.60
After ten years		288,046		288,046	3.28
Fair values (2)	$ 112,472	319,292	250	432,014	4.00%
Amortized cost (2)	$ 110,991	307,314	250	418,555	5.35%
Weighted average yield based on fair values	5.66	3.41	4.30	4.00	
Weighted average maturity (yrs)	1.30	20.65	0.67	15.69	
December 31, 2008					
Fair values (2)	$ 224,434	699,224	250	923,908	5.25%
Amortized cost (2)	$ 213,534	687,344	250	901,128	6.00%
December 31, 2007					
Fair values (2)	$ 188,401	788,461	681	977,543	5.90%
Amortized cost (2)	$ 188,401	785,682	685	974,768	6.06%

(1) Except for tax certificates, maturities are based upon contractual maturities. Tax certificates do not have stated maturities, and estimates in the above table are based upon historical repayment experience

(generally 2 years).

(2) Equity and tax exempt securities held by the Parent Company with a cost of $1.5 million, $3.6 million, and $162.6 million and a fair value of $1.5 million, $4.1 million, and $179.5 million, at December 31, 2009, 2008 and 2007, respectively, were excluded from the above table. At December 31, 2009, equities held by BankAtlantic with a cost of $0.8 million and a fair value of $0.8 million were excluded from the above table.

A summary of the amortized cost and gross unrealized appreciation or depreciation of estimated fair value of tax certificates and investment securities and available for sale securities follows (in thousands):

	December 31, 2009 (1)			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Tax certificates and investment securities:				
Tax certificates:				
Cost equals market	$ 110,991	1,481		112,472
Securities available for sale:				
Investment securities:				
Cost equals market	250			250
Market over cost				
Cost over market				
Mortgage-backed securities :				
Cost equals market				
Market over cost	285,200	11,998		297,198
Cost over market	22,114		20	22,094
Total	$ 418,555	13,479	20	432,014

1) The above table excludes Parent Company equity securities with a cost and fair value of $1.5 million at December 31, 2009. At December 31, 2009, equities held by BankAtlantic with a cost and fair value of $0.8 million were excluded from the above table.

Deposit products and borrowed funds:

Deposits: BankAtlantic offers checking and savings accounts to individuals and business customers. These include commercial demand deposit accounts, retail demand deposit accounts, savings accounts, money market accounts, certificates of deposit, various NOW accounts and IRA and Keogh retirement accounts. BankAtlantic also obtains deposits from brokers and municipalities. BankAtlantic solicits deposits from customers in its geographic market through marketing and relationship banking activities primarily conducted through its sales force and store network. BankAtlantic has primarily solicited deposits at its branches (or stores) through its Florida s Most Convenient Bank initiative. During 2008, BankAtlantic began participating in the Certificate of Deposit Account Registry Services (CDARS) program. This program allows BankAtlantic to offer to its customers federally insured deposits up to $50 million. BankAtlantic has elected to participate in the FDIC s Transaction Account Guarantee Program whereby the FDIC through June 30, 2010 fully insures BankAtlantic s entire portfolio of non-interest bearing deposits, and interest-bearing deposits with rates at or below fifty basis points and, subject to applicable terms, insures up to $250,000 of other deposit accounts. See note 13 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s deposit accounts.

Federal Home Loan Bank (FHLB) Advances: BankAtlantic is a member of the FHLB of Atlanta and can obtain secured advances from the FHLB of Atlanta. These advances can be collateralized by a security lien against its residential loans, certain commercial loans and its securities. In addition, BankAtlantic must maintain certain levels of FHLB stock based upon outstanding advances. See note 14 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s FHLB Advances.

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Other Short-Term Borrowings: BankAtlantic s short-term borrowings generally consist of securities sold under agreements to repurchase, treasury tax and loan borrowings.

Securities sold under agreements to repurchase include a sale of a portion of its current investment portfolio (usually mortgage-backed securities and REMICs) at a negotiated rate and an agreement to repurchase the same assets on a specified future date. BankAtlantic issues repurchase agreements to institutions and to its customers. These transactions are collateralized by securities in its investment portfolio but are not insured by the FDIC. See note 15 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s Securities sold under agreements to repurchase borrowings.

Treasury tax and loan borrowings represent BankAtlantic s participation in the Federal Reserve Treasury Investment Program. Under this program the Federal Reserve places funds with BankAtlantic obtained from treasury tax and loan payments received by financial institutions. See note 16 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s treasury tax and loan borrowings.

BankAtlantic s other borrowings have floating interest rates and consist of a mortgage-backed bond and subordinated debentures. See note 17 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s other borrowings.

Parent Company

The Parent Company (Parent) operations primarily consist of financing the capital needs of BankAtlantic and its subsidiaries and management of the asset work-out subsidiary. In March 2008, the Parent Company used a portion of the proceeds obtained from the sale of Ryan Beck to Stifel to purchase from BankAtlantic $101.5 million of non-performing loans at BankAtlantic s carrying value. These loans are held in an asset workout subsidiary wholly-owned by the Parent Company, which has entered into an agreement with BankAtlantic to service the transferred non-performing loans. The Parent also has arrangements with BFC Financial Corporation (BFC) for BFC to provide certain human resources, insurance management, investor relations, and other administrative services to the Parent and its subsidiaries. The largest expense of the Parent Company is interest expense on junior subordinated debentures issued in connection with trust preferred securities. The Company has the right to defer quarterly payments of interest on the junior subordinated debentures for a period not to exceed 20 consecutive quarters without default or penalty. During all four quarters during 2009 and during the first quarter of 2010, the Company notified the trustees under its junior subordinated debentures that it has elected to defer its quarterly interest payments. During the deferral period, the respective trusts will likewise suspend the declaration and payment of dividends on the trust preferred securities. Additionally, during the deferral period, the Company may not pay dividends on or repurchase its common stock. The Parent Company deferred the interest and dividend payments in order to preserve its liquidity in response to current economic conditions. In January 2010, BankAtlantic Bancorp commenced cash offers to purchase the outstanding trust preferred securities. See note 17 to the Notes to Consolidated Financial Statements for more information regarding the Company s cash tender offer for its trust preferred securities.

The Parent Company had the following cash and investments as of December 31, 2009 (in thousands). There is no assurance that we would receive proceeds equal to the estimated fair value upon the liquidation of the equity securities.

	December 31, 2009			
	Carrying Value	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Cash and cash equivalents	$ 14,002			14,002
Equity securities	1,510		6	1,504
Total	$ 15,512		6	15,506

The Parent Company s work-out subsidiary had the following loans and real estate owned as of December 31, 2009:

(in millions)	Amount
Builder land bank loans	$ 14
Land acquisition and development loans	10
Land acquisition, development and construction loans	15
Commercial	9
Total commercial loans	48
Real estate owned	11
Total loans and real estate owned	$ 59

Employees

Management believes that its relations with its employees are satisfactory. The Company currently maintains comprehensive employee benefit programs that are considered by management to be generally competitive with programs provided by other major employers in its markets.

The number of employees at the indicated dates was:

	December 31, 2009		December 31, 2008	
	Full-Time	Part-time	Full-time	Part-time
BankAtlantic Bancorp	6		6	
BankAtlantic	1,426	212	1,698	143
Total	1,432	212	1,704	143

Competition

The banking and financial services industry is very competitive and is in a transition period. The financial services industry is experiencing a severe downturn and there is increased competition in the marketplace. We expect continued consolidation in the financial service industry creating larger financial institutions. Our primary method of competition is emphasis on relationship banking, customer service and convenience, including our Florida s Most Convenient Bank initiative.

We face substantial competition for both loans and deposits. Competition for loans comes principally from other banks, savings institutions and other lenders. This competition could decrease the number and size of loans that we make and the interest rates and fees that we receive on these loans.

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We compete for deposits with banks, savings institutions and credit unions, as well as institutions offering uninsured investment alternatives, including money market funds and mutual funds, many of which are uninsured. These competitors may offer higher interest rates than we do, which could decrease the deposits that we attract or require us to increase our rates to attract new deposits. Increased competition for deposits could increase our cost of funds, reduce our net interest margin and adversely affect our results of operations.

Regulation and Supervision

Holding Company

We are a unitary savings and loan holding company within the meaning of the Home Owners Loan Act, as amended, or HOLA. As such, we are registered with the Office of Thrift Supervision, or OTS, and are subject to OTS regulations, examinations, supervision and reporting requirements. In addition, the OTS has enforcement authority over us. Among other things, this authority permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the financial safety, soundness or stability of a subsidiary savings bank.

HOLA prohibits a savings bank holding company, directly or indirectly, or through one or more subsidiaries, from:

- acquiring another savings institution or its holding company without prior written approval of the OTS;
- acquiring or retaining, with certain exceptions, more than 5% of a non-subsidiary savings institution, a non-subsidiary holding company, or a non-subsidiary company engaged in activities other than those permitted by HOLA; or
- acquiring or retaining control of a depository institution that is not insured by the FDIC.

In evaluating an application by a holding company to acquire a savings institution, the OTS must consider the financial and managerial resources and future prospects of the company and savings institution involved, the effect of the acquisition on the risk to the insurance funds, the convenience and needs of the community and competitive factors.

As a unitary savings and loan holding company, we generally are not restricted under existing laws as to the types of business activities in which we may engage, provided that BankAtlantic continues to satisfy the Qualified Thrift Lender, or QTL, test. See Regulation of Federal Savings Banks QTL Test for a discussion of the QTL requirements. If we were to make a non-supervisory acquisition of another savings institution or of a savings institution that meets the QTL test and is deemed to be a savings institution by the OTS and that will be held as a separate subsidiary, then we would become a multiple savings and loan holding company within the meaning of HOLA and would be subject to limitations on the types of business activities in which we can engage. HOLA limits the activities of a multiple savings institution holding company and its non-insured institution subsidiaries primarily to activities permissible for bank holding companies under Section 4(c) of the Bank Holding Company Act, subject to the prior approval of the OTS, and to other activities authorized by OTS regulation.

Transactions between BankAtlantic, including any of BankAtlantic s subsidiaries, and us or any of BankAtlantic s affiliates, are subject to various conditions and limitations. See Regulation of Federal Savings Banks Transactions with Related Parties. BankAtlantic must seek approval from the OTS prior to any declaration of the payment of any dividends or other capital distributions to us. See Regulation of Federal Savings Banks Limitation on Capital Distributions.

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BankAtlantic

BankAtlantic is a federal savings association and is subject to extensive regulation, examination, and supervision by the OTS, as its chartering agency and primary regulator, and the FDIC, as its deposit insurer. BankAtlantic s deposit accounts are insured up to applicable limits by the Deposit Insurance Fund, which is administered by the FDIC. BankAtlantic must file reports with the OTS and the FDIC concerning its activities and financial condition. Additionally, BankAtlantic must obtain regulatory approvals prior to entering into certain transactions, such as mergers with, or acquisitions of, other depository institutions, and must submit applications or notices prior to forming certain types of subsidiaries or engaging in certain activities through its subsidiaries. The OTS and the FDIC conduct periodic examinations to assess BankAtlantic s safety and soundness and compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which a savings bank can engage and is intended primarily for the protection of the insurance fund and depositors. The OTS and the FDIC have significant discretion in connection with their supervisory and enforcement activities and examination policies. Any change in such applicable activities or policies, whether by the OTS, the FDIC or the Congress, could have a material adverse impact on us, BankAtlantic, and our operations.

The following discussion is intended to be a summary of the material banking statutes and regulations applicable to BankAtlantic, and it does not purport to be a comprehensive description of such statutes and regulations, nor does it include every federal and state statute and regulation applicable to BankAtlantic.

Regulation of Federal Savings Banks

Business Activities. BankAtlantic derives its lending and investment powers from HOLA and the regulations of the OTS thereunder. Under these laws and regulations, BankAtlantic may invest in:

- mortgage loans secured by residential and commercial real estate;
- commercial and consumer loans;
- certain types of debt securities; and
- certain other assets.

BankAtlantic may also establish service corporations to engage in activities not otherwise permissible for BankAtlantic, including certain real estate equity investments and securities and insurance brokerage. These investment powers are subject to limitations, including, among others, limitations that require debt securities acquired by BankAtlantic to meet certain rating criteria and that limit BankAtlantic s aggregate investment in various types of loans to certain percentages of capital and/or assets.

Loans to One Borrower. Under HOLA, savings banks are generally subject to the same limits on loans to one borrower as are imposed on national banks. Generally, under these limits, the total amount of loans and extensions of credit made by a savings bank to one borrower or related group of borrowers outstanding at one time and not fully secured by collateral may not exceed 15% of the savings bank s unimpaired capital and unimpaired surplus. In addition to, and separate from, the 15% limitation, the total amount of loans and extensions of credit made by a savings bank to one borrower or related group of borrowers outstanding at one time and fully secured by readily-marketable collateral may not exceed 10% of the savings bank s unimpaired capital and unimpaired surplus. Readily-marketable collateral includes certain debt and equity securities and bullion, but generally does not include real estate. At December 31, 2009, BankAtlantic s limit on loans to one borrower was approximately $76.6 million. At December 31, 2009, BankAtlantic s largest aggregate amount of loans to one borrower was approximately $37.8 million and the second largest borrower had an aggregate balance of approximately $36.9 million.

QTL Test. HOLA requires a savings bank to meet a QTL test by maintaining at least 65% of its portfolio assets in certain qualified thrift investments on a monthly average basis in at least nine months out of every twelve months. A savings bank that fails the QTL test must either operate under certain restrictions on its activities or convert to a bank charter. At December 31, 2009, BankAtlantic maintained approximately 74% of its portfolio assets in qualified thrift investments. BankAtlantic had also satisfied the QTL test in each of the nine months prior to December 2009 and, therefore, was a QTL.

Capital Requirements. The OTS regulations require savings banks to meet three minimum capital standards:

- a tangible capital requirement for savings banks to have tangible capital in an amount equal to at least 1.5% of adjusted total assets;
- a leverage ratio requirement:
  - for savings banks assigned the highest composite rating of 1, to have core capital in an amount equal to at least 3% of adjusted total assets; or
  - for savings banks assigned any other composite rating, to have core capital in an amount equal to at least 4% of adjusted total assets, or a higher percentage if warranted by the particular circumstances or risk profile of the savings bank; and
- a risk-based capital requirement for savings banks to have capital in an amount equal to at least 8% of risk-weighted assets.

In determining the amount of risk-weighted assets for purposes of the risk-based capital requirement, a savings bank must compute its risk-based assets by multiplying its assets and certain off-balance sheet items by risk-weights assigned by the OTS capital regulations. The OTS monitors the risk management of individual institutions. The OTS may impose an individual minimum capital requirement on institutions that it believes exhibit a higher degree of risk.

At December 31, 2009, BankAtlantic exceeded all applicable regulatory capital requirements. See note 21 to the Notes to the Consolidated Financial Statements for actual capital amounts and ratios.

There currently are no regulatory capital requirements directly applicable to us as a unitary savings and loan holding company apart from the regulatory capital requirements for savings banks that are applicable to BankAtlantic; however, changes in regulations could result in additional requirements being imposed on us.

Limitation on Capital Distributions. The OTS regulations impose limitations upon certain capital distributions by savings banks, such as certain cash dividends, payments to repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger and other distributions charged against capital.

The OTS regulates all capital distributions by BankAtlantic directly or indirectly to us, including dividend payments. BankAtlantic currently must file an application to receive the approval of the OTS for a proposed capital distribution, as the total amount of all of BankAtlantic s capital distributions (including any proposed capital distribution) for the applicable calendar year exceeds BankAtlantic s net income for that year-to-date period plus BankAtlantic s retained net income for the preceding two years.

BankAtlantic may not pay dividends to BankAtlantic Bancorp if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage and tangible capital ratio requirements, or in the event the OTS notified BankAtlantic that it was in need of more than normal supervision. Under the Federal Deposit Insurance Act, or FDIA, an insured depository institution such as BankAtlantic is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become undercapitalized. Payment of dividends by BankAtlantic also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an unsafe and unsound banking practice.

Liquidity. BankAtlantic is required to maintain sufficient liquidity to ensure its safe and sound operation, in accordance with OTS regulations.

Assessments. The OTS charges assessments to recover the costs of examining savings banks and their affiliates, processing applications and other filings, and covering direct and indirect expenses in regulating savings banks and their affiliates. These assessments are based on three components:

- the size of the savings bank, on which the basic assessment is based;
- the savings bank s supervisory condition, which results in an additional assessment based on a percentage of the basic assessment for any savings bank with a composite rating of 3, 4 or 5 in its most recent safety and soundness examination; and
- the complexity of the savings bank s operations, which results in an additional assessment based on a percentage of the basic assessment for any savings bank that has more than $1 billion in trust assets that it administers, loans that it services for others or assets covered by its recourse obligations or direct credit substitutes.

These assessments are paid semi-annually. BankAtlantic s assessment expense during the year ended December 31, 2009 was approximately $1.2 million.

Branching. Subject to certain limitations, HOLA and the OTS regulations permit federally chartered savings banks to establish branches in any state or territory of the United States.

Community Reinvestment. Under the Community Reinvestment Act, or CRA, a savings institution has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA requires the OTS to assess the institution s record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by the institution. This assessment focuses on three tests:

- a lending test, to evaluate the institution s record of making loans in its designated assessment areas;
- an investment test, to evaluate the institution s record of investing in community development projects, affordable housing, and programs benefiting low or moderate income individuals and businesses; and
- a service test, to evaluate the institution s delivery of banking services throughout its designated assessment area.

The OTS assigns institutions a rating of outstanding, satisfactory, needs to improve, or substantial non-complianc The CRA requires all institutions to disclose their CRA ratings to the public. BankAtlantic received a satisfactory rating in its most recent CRA evaluation. Regulations also require all institutions to disclose certain agreements that are in fulfillment of the CRA. BankAtlantic has no such agreements in place at this time.

Transactions with Related Parties. BankAtlantic s authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act, or FRA, by Regulation W of the Federal Reserve Board, or FRB, implementing Sections 23A and 23B of the FRA, and by OTS regulations. The applicable OTS regulations for savings banks regarding transactions with affiliates generally conform to the requirements of Regulation W, which is applicable to national banks. In general, an affiliate of a savings bank is any company that controls, is controlled by, or is under common control with, the savings bank, other than the savings bank s subsidiaries. For instance, we are deemed an affiliate of BankAtlantic under these regulations.

Generally, Section 23A limits the extent to which a savings bank may engage in covered transactions with any one affiliate to an amount equal to 10% of the savings bank s capital stock and surplus, and contains an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of the savings bank s capital stock and surplus. A covered transaction generally includes:

- making or renewing a loan or other extension of credit to an affiliate;
- purchasing, or investing in, a security issued by an affiliate;

purchasing an asset from an affiliate;

accepting a security issued by an affiliate as collateral for a loan or other extension of credit to any person or entity; and

issuing a guarantee, acceptance or letter of credit on behalf of an affiliate.

Section 23A also establishes specific collateral requirements for loans or extensions of credit to, or guarantees, or acceptances of letters of credit issued on behalf of, an affiliate. Section 23B requires covered transactions and certain other transactions to be on terms and under circumstances, including credit standards, that are substantially the same, or at least as favorable to the savings bank, as those prevailing at the time for transactions with or involving non-affiliates. Additionally, under the OTS regulations, a savings bank is prohibited from:

making a loan or other extension of credit to an affiliate that is engaged in any non-bank holding company activity; and

purchasing, or investing in, securities issued by an affiliate that is not a subsidiary.

Sections 22(g) and 22(h) of the FRA, Regulation O of the FRB, Section 402 of the Sarbanes-Oxley Act of 2002, and OTS regulations impose limitations on loans and extensions of credit from BankAtlantic and us to its and our executive officers, directors, controlling shareholders and their related interests. The applicable OTS regulations for savings banks regarding loans by a savings bank to its executive officers, directors and principal shareholders generally conform to the requirements of Regulation O, which is applicable to national banks.

Enforcement. Under the FDIA, the OTS has primary enforcement responsibility over savings banks and has the authority to bring enforcement action against all institution-affiliated parties, including any controlling stockholder or any shareholder, attorney, appraiser and accountant who knowingly or recklessly participates in any violation of applicable law or regulation, breach of fiduciary duty, or certain other wrongful actions that have, or are likely to have, a significant adverse effect on an insured savings bank or cause it more than minimal loss. In addition, the FDIC has back-up authority to take enforcement action for unsafe and unsound practices. Formal enforcement action can include the issuance of a capital directive, cease and desist order, removal of officers and/or directors, institution of proceedings for receivership or conservatorship and termination of deposit insurance.

Examination. A savings institution must demonstrate to the OTS its ability to manage its compliance responsibilities by establishing an effective and comprehensive oversight and monitoring program. The degree of compliance oversight and monitoring by the institution s management impacts the scope and intensity of the OTS examinations of the institution. Institutions with significant management oversight and monitoring of compliance will generally receive less extensive OTS examinations than institutions with less oversight.

Standards for Safety and Soundness. Pursuant to the requirements of the FDIA, the OTS, together with the other federal bank regulatory agencies, has adopted the Interagency Guidelines Establishing Standards for Safety and Soundness, or the Guidelines. The Guidelines establish general safety and soundness standards relating to internal controls, information and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, the Guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the Guidelines. If the OTS determines that a savings bank fails to meet any standard established by the Guidelines, then the OTS may require the savings bank to submit to the OTS an acceptable plan to achieve compliance. If a savings bank fails to comply, the OTS may seek an enforcement order in judicial proceedings and impose civil monetary penalties.

Shared National Credit Program. The Shared National Credit Program is an interagency program, established in 1977, to provide a periodic credit risk assessment of the largest and most complex syndicated loans held or agented by financial institutions subject to supervision by a federal bank regulatory agency. The Shared National Credit Program is administered by the FRB, FDIC, OTS and the Office of the

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Comptroller of the Currency. The Shared National Credit Program covers any loan or loan commitment of at least $20 million (i) which is shared under a formal lending agreement by three or more unaffiliated financial institutions or (ii) a portion of which is sold to two or more unaffiliated financial institutions with the purchasing financial institutions assuming their pro rata share of the credit risk. The Shared National Credit Program is designed to provide uniformity and efficiency in the federal banking agencies analysis and rating of the largest and most complex credit facilities in the country by avoiding duplicate credit reviews and ensuring consistency in rating determinations. The federal banking agencies use a combination of statistical and judgmental sampling techniques to select borrowers for review each year. The selected borrowers are reviewed and the credit quality rating assigned by the applicable federal banking agency s examination team will be reported to each financial institution that participates in the loan as of the examination date. The assigned ratings are used during examinations of the other financial institutions to avoid duplicate reviews and ensure consistent treatment of these loans. BankAtlantic has entered into participations with respect to certain of its loans and has acquired participations in the loans of other financial institutions which are subject to this program and accordingly these loans may be subject to this additional review.

Real Estate Lending Standards. The OTS and the other federal banking agencies adopted regulations to prescribe standards for extensions of credit that are secured by liens on or interests in real estate or are made for the purpose of financing the construction of improvements on real estate. The OTS regulations require each savings bank to establish and maintain written internal real estate lending standards that are consistent with OTS guidelines and with safe and sound banking practices and which are appropriate to the size of the savings bank and the nature and scope of its real estate lending activities.

Prompt Corrective Regulatory Action. Under the OTS Prompt Corrective Action Regulations, the OTS is required to take certain, and is authorized to take other, supervisory actions against undercapitalized savings banks, such as requiring compliance with a capital restoration plan, restricting asset growth, acquisitions, branching and new lines of business and, in extreme cases, appointment of a receiver or conservator. The severity of the action required or authorized to be taken increases as a savings bank s capital deteriorates. Savings banks are classified into five categories of capitalization as well capitalized, adequately capitalized, undercapitalized, significantly undercapitalize and critically undercapitalized. Generally, a savings bank is categorized as well capitalized if:

- its total capital is at least 10% of its risk-weighted assets;
- its core capital is at least 6% of its risk-weighted assets;
- its core capital is at least 5% of its adjusted total assets; and
- it is not subject to any written agreement, order, capital directive or prompt corrective action directive issued by the OTS, or certain regulations, to meet or maintain a specific capital level for any capital measure.

The OTS categorized BankAtlantic as well capitalized following its last examination and BankAtlantic remained categorized well capitalized as of December 31, 2009. However, there is no assurance that it will continue to be deemed well capitalized even if current capital ratios are maintained where asset quality continues to deteriorate.

Insurance of Deposit Accounts. Savings banks are subject to a risk-based assessment system for determining the deposit insurance assessments to be paid by them.

Until December 31, 2006, the FDIC had assigned each savings institution to one of three capital categories based on the savings institution s financial information as of its most recent quarterly financial report filed with the applicable bank regulatory agency prior to the assessment period. The FDIC had also assigned each savings institution to one of three supervisory subcategories within each capital category based upon a supervisory evaluation provided to the FDIC by the savings institution s primary federal regulator and information that the FDIC determined to be relevant to the savings institution s financial condition and the risk posed to the previously existing deposit insurance funds. A savings institution s deposit insurance assessment rate depended on the capital category and supervisory subcategory to which it was assigned. Insurance assessment rates ranged from 0.00% of deposits for a savings institution in the highest category (i.e., well capitalized and financially sound, with no more than a few minor weaknesses) to 0.27% of deposits for a savings institution in the lowest category (i.e., undercapitalized and substantial supervisory concern).

On January 1, 2007, the Federal Deposit Insurance Reform Act of 2005, or the Reform Act, became effective. The Reform Act, among other things, merged the Bank Insurance Fund and the Savings Association Insurance Fund, both of which were administered by the FDIC, into a new fund administered by the FDIC known as the Deposit Insurance Fund, or DIF, and increased the coverage limit for certain retirement plan deposits to $250,000, but maintained the basic insurance coverage limit of $100,000 for other depositors. On October 3, 2008, the Emergency Economic Stabilization Act of 2008, or the Stabilization Act, temporarily raised the basic insurance coverage limit to $250,000. This temporary increase in the basic insurance coverage limit will expire on December 31, 2013 and the basic insurance coverage limit will return to $100,000 on January 1, 2014.

As a result of the Reform Act, the FDIC now assigns each savings institution to one of four risk categories based upon the savings institution s capital evaluation and supervisory evaluation. The capital evaluation is based upon financial information as of the savings institution s most recent quarterly financial report filed with the applicable bank regulatory agency at the end of each quarterly assessment period. The supervisory evaluation is based upon the results of examination findings by the savings institution s primary federal regulator and information that the FDIC has determined to be relevant to the savings institution s financial condition and the risk posed to the DIF. A savings institution s deposit insurance base assessment rate depends on the risk category to which it is assigned. In April 2009, the FDIC implemented regulations to improve the way its insurance base assessment rates differentiate risk among insured institutions and make the risk-based system fairer by limiting the subsidization of riskier institutions by safer institutions. For the quarter which began January 1, 2010, insurance base assessment rates range from 12 cents per $100 (but could be as low as 7 cents per $100, after computing applicable adjustments) in assessable deposits for a savings institution in the least risk category (i.e., well capitalized and financially sound with only a few minor weaknesses) to 45 cents per $100 (but could be as high as 77.5 cents per $100, after computing applicable adjustments) in assessable deposits for a savings institution in the most risk category (i.e., undercapitalized and poses a substantial probability of loss to the DIF unless effective corrective action is taken). BankAtlantic s FDIC deposit insurance premium increased from $2.8 million for the year ended December 31, 2008 to $8.6 million for the same 2009 period.

The FDIC is authorized to raise the assessment rates in certain circumstances, which would affect savings institutions in all risk categories. The FDIC is also authorized to impose special assessments. The FDIC has exercised its authority to raise assessment rates and impose special assessments several times in the past, including during 2009, and could raise rates and impose special assessments in the future. Increases in deposit insurance premiums and the imposition of special assessments would have an adverse effect on our earnings. BankAtlantic paid a $2.4 million FDIC special assessment for the year ended December 31, 2009.

Privacy and Security Protection. BankAtlantic is subject to the OTS regulations implementing the privacy and security protection provisions of the Gramm-Leach-Bliley Act, or GLBA. These regulations require a savings bank to disclose to its customers and consumers its policy and practices with respect to the privacy, and sharing with nonaffiliated third parties, of its customers and consumers nonpublic personal information. Additionally, in certain instances, BankAtlantic is required to provide its customers and consumers with the ability to opt-out of having BankAtlantic share their nonpublic personal information with nonaffiliated third parties. These regulations also require savings banks to maintain policies and procedures to safeguard their customers and consumers nonpublic personal information. BankAtlantic has policies and procedures designed to comply with GLBA and applicable privacy and security regulations.

Insurance Activities. BankAtlantic is generally permitted to engage in certain insurance activities through its subsidiaries. The OTS regulations implemented pursuant to GLBA prohibit, among other things, depository institutions from conditioning the extension of credit to individuals upon either the purchase of an insurance product or annuity or an agreement by the consumer not to purchase an insurance product or annuity from an entity that is not affiliated with the depository institution. The regulations also require prior disclosure of this prohibition to potential insurance product or annuity customers.

Federal Home Loan Bank System. BankAtlantic is a member of the Federal Home Loan Bank, or FHLB, of Atlanta, which is one of the twelve regional FHLB s composing the FHLB system. Each FHLB provides a central credit facility primarily for its member institutions as well as other entities involved in home mortgage lending. Any advances from a FHLB must be secured by specified types of collateral, and all long-term advances may be obtained only for the purpose of providing funds for residential housing finance. As a member of the FHLB of Atlanta, BankAtlantic is required to acquire and hold shares of capital stock in the FHLB of Atlanta. BankAtlantic was in compliance with this requirement with an investment in FHLB of Atlanta stock at December 31, 2009 of approximately $48.8 million. During the year ended December 31, 2009, the FHLB of Atlanta paid dividends of approximately $0.2 million on the capital stock held by BankAtlantic. The FHLB did not pay a dividend during the first six months of 2009 and in February 2009 suspended excess stock redemptions.

Federal Reserve System. BankAtlantic is subject to provisions of the FRA and the FRB s regulations, pursuant to which depository institutions may be required to maintain non-interest-earning reserves against their deposit accounts and certain other liabilities. Currently, federal savings banks must maintain reserves against transaction accounts (primarily NOW and regular interest and non-interest bearing checking accounts). The FRB regulations establish the specific rates of reserves that must be maintained, which are subject to adjustment by the FRB. BankAtlantic is currently in compliance with those reserve requirements. The required reserves must be maintained in the form of vault cash, a non-interest-bearing account at a Federal Reserve Bank, or a pass-through account as defined by the FRB. The FRB pays targeted federal funds rates on the required reserves which are lower than the yield on our traditional investments.

Anti-Terrorism and Anti-Money Laundering Regulations. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, provides the federal government with additional powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, or BSA, the USA PATRIOT Act puts in place measures intended to encourage information sharing among bank regulatory and law enforcement agencies. In addition, certain provisions of the USA PATRIOT Act impose affirmative obligations on a broad range of financial institutions, including savings banks.

Among other requirements, the USA PATRIOT Act and the related OTS regulations require savings banks to establish anti-money laundering programs that include, at a minimum:

- internal policies, procedures and controls designed to implement and maintain the savings bank s compliance with all of the requirements of the USA PATRIOT Act, the BSA and related laws and regulations;
- systems and procedures for monitoring and reporting of suspicious transactions and activities;
- a designated compliance officer;
- employee training;
- an independent audit function to test the anti-money laundering program;
- procedures to verify the identity of each customer upon the opening of accounts; and
- heightened due diligence policies, procedures and controls applicable to certain foreign accounts and relationships.

Additionally, the USA PATRIOT Act requires each financial institution to develop a customer identification program, or CIP, as part of its anti-money laundering program. The key components of the CIP are identification, verification, government list comparison, notice and record retention. The purpose of the CIP is to enable the financial institution to determine the true identity and anticipated account activity of each customer. To make this determination, among other things, the financial institution must collect certain information from customers at the time they enter into the customer relationship with the financial institution. This information must be verified within a reasonable time through documentary and non-documentary methods. Furthermore, all customers must be screened against any CIP-related government lists of known or suspected terrorists.

The USA Patriot Act established the Office of Foreign Assets Control (OFAC), which is a division of the Treasury Department, and is responsible for helping to ensure that United States entities do not engage in transactions with enemies of the United States, as defined by various Executive Orders and Acts of Congress. OFAC has sent banking regulatory agencies lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts. If BankAtlantic identifies a name on any transaction, account or wire transfer that is on an OFAC list, it must freeze or reject such account or transaction, evaluate the need to file a suspicious activity report and notify the Financial Crimes Enforcement Network (FinCEN).

Consumer Protection. BankAtlantic is subject to federal and state consumer protection statutes and regulations, including the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Truth in Lending Act, the Truth in Savings Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act. Among other things, these acts:

- require lenders to disclose credit terms in meaningful and consistent ways;
- require financial institutions to establish policies and procedures regarding identity theft and notify customers of certain information concerning their credit reporting;
- prohibit discrimination against an applicant in any consumer or business credit transaction;
- prohibit discrimination in housing-related lending activities;
- require certain lender banks to collect and report applicant and borrower data regarding loans for home purchase or improvement projects;
- require lenders to provide borrowers with information regarding the nature and cost of real estate settlements;
- prohibit certain lending practices and limit escrow account amounts with respect to real estate transactions; and
- prescribe penalties for violations of the requirements of consumer protection statutes and regulations.

ITEM 1A. RISK FACTORS

We have incurred significant losses during the last three years, and if we continue to incur significant losses we will need to raise additional capital, which may not be available on attractive terms, if at all.

BankAtlantic Bancorp has incurred losses of $22.2 million, $202.6 million and $185.8 million during the years ended December 31, 2007, December 31, 2008 and December 31, 2009, respectively. As part of its efforts to maintain regulatory capital ratios, BankAtlantic has reduced its assets and repaid borrowings. However, the reduction of earning asset balances has resulted in reduced income while at the same time BankAtlantic has experienced significant credit losses.

BankAtlantic Bancorp contributed $65 million and $105 million to the capital of BankAtlantic during the years ended December 31, 2008 and December 31, 2009, respectively. At December 31, 2009, BankAtlantic Bancorp had $14 million of liquid assets. While a wholly-owned work-out subsidiary of BankAtlantic Bancorp also holds a portfolio of approximately $31.3 million of nonperforming loans, net of reserves, $3.1 million of performing loans and $10.5 million of real estate owned which it could seek to liquidate, BankAtlantic Bancorp s sources of funds to continue to support BankAtlantic are limited.

If BankAtlantic Bancorp and BankAtlantic continue to experience losses and BankAtlantic s capital ratios decline, we may become subject to regulatory actions with respect to BankAtlantic, including the requirement to raise capital, and there is no assurance that at that time BankAtlantic Bancorp would have sufficient funds in order to provide BankAtlantic capital, or that BankAtlantic Bancorp or BankAtlantic would have access to capital or that capital would be available without significant cost or without resulting in significant dilution to the Company s shareholders.

Continued capital and credit market volatility may adversely affect our ability to access capital and may have a material adverse effect on our business, financial condition and results of operations.

In light of the current challenging economic environment and the desire for the Company to be in a position to provide capital to BankAtlantic, the Company has and will continue to evaluate the advisability of raising additional funds through the issuance of securities. Any such financing could be obtained through additional public offerings, private offerings, in privately negotiated transactions or otherwise. We could also pursue these financings at the Company level or directly at BankAtlantic or both. Issuances of equity directly at BankAtlantic would dilute the Company s interest in BankAtlantic. During February 2010, we filed a shelf registration statement with the SEC pursuant to which we may issue up to $75 million of our Class A common stock and/or other securities in the future. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. As a result, our shareholders bear the risk of future offerings at the Company level reducing the price of our Class A common stock and future offerings directly at BankAtlantic diluting the Company s interest in BankAtlantic.

BankAtlantic s capital levels at December 31, 2009 exceeded well capitalized regulatory capital levels. BankAtlantic Bancorp during the years ended December 31, 2009 and 2008 contributed $105 million and $65 million, respectively, of capital to BankAtlantic and at December 31, 2009 BankAtlantic Bancorp had $14 million of liquid assets. BankAtlantic Bancorp s ability to contribute additional capital to BankAtlantic will depend on its ability to raise capital in the secondary markets and on its ability to liquidate its portfolio of non-performing loans. The OTS has the right to impose additional capital requirements on banks at its discretion and could impose additional capital requirements on BankAtlantic. Our ability to raise additional capital will depend on, among other things, conditions in the financial markets at the time, which are outside of our control, and our financial condition, results of operations and prospects. The ongoing liquidity crisis and the loss of confidence in financial institutions may make it more difficult or more costly to obtain financing. There is no assurance that such capital will be available to us on acceptable terms or at all. The terms and pricing of any future transaction by the Company or BankAtlantic could result in additional substantial dilution to our existing shareholders and could adversely impact the price of our Class A common stock. If BankAtlantic sustains additional operating losses or if the OTS imposes more stringent capital requirements, there is no assurance that the Company will be able to provide additional capital, if needed, in order for BankAtlantic to meet its capital requirements in future periods.

BankAtlantic Bancorp has deferred interest on its outstanding junior subordinated debentures and anticipates that it will continue to defer this interest for the foreseeable future, which could adversely affect its financial condition and liquidity.

BankAtlantic Bancorp began deferring interest on all of its $294 million of junior subordinated debentures as of March 2009 which resulted in the deferral and accrual of $14.1 million of regularly scheduled quarterly interest payments that would otherwise have been paid during the year ended December 31, 2009. The terms of the junior subordinated debentures allow BankAtlantic Bancorp to defer interest payments for up to 20 consecutive quarterly periods, and BankAtlantic Bancorp anticipates that it will continue to defer such interest for the foreseeable future. During the deferral period, interest continues to accrue on the junior subordinated debentures, as well as on the deferred interest, at the relevant stated coupon rate, and at the end of the deferral period BankAtlantic Bancorp will be required to pay all interest accrued during the deferral period. In the event that the Company elects to defer interest on its junior subordinated debentures for the full 20 consecutive quarterly periods permitted under the terms of the junior subordinated debentures, BankAtlantic Bancorp would owe approximately $72 million of accrued interest as of December 31, 2013 (based on average interest rates applicable at December 31, 2009, which were at historically low interest rate levels). As most of the outstanding junior subordinated debentures bear interest at rates that are indexed to LIBOR, if LIBOR rates increase, the interest that would accrue during the deferral period would be significantly higher and likewise increase the amount BankAtlantic Bancorp would owe at the conclusion of the deferral period.

BankAtlantic Bancorp s cash offers to purchase $230 million of trust preferred securities issued by statutory business trusts formed by BankAtlantic Bancorp ***may not be consummated.***

During January 2010, BankAtlantic Bancorp commenced cash offers to purchase all outstanding trust preferred securities having an aggregate principal amount of approximately $285 million at a purchase price of $200 per $1,000 liquidation amount, or an aggregate of $57 million. During February 2010, the cash offer with respect to the approximate $55 million of publicly traded trust preferred securities expired without any such trust preferred securities being repurchased, while the expiration date for the offers relating to the remaining $230 million of trust preferred securities was extended until March 22, 2010. The Company s ability to complete the offers to purchase $230 million of the Company s trust preferred securities is contingent upon the completion of a financing transaction sufficient to pay the purchase price, and the receipt of tenders and consents from Holders of the requisite amount of the relevant series of trusts preferred securities. The structure of the ownership of the trust preferred securities (the majority of which are held in pools with the securities of other issuers as collateral for collateralized debt obligations) has made it very difficult to communicate with the beneficial owners or negotiate the repurchase or modification of the terms of the outstanding securities. Accordingly, there is no assurance that BankAtlantic Bancorp will be able to repurchase or redeem any or a significant portion of the trust preferred securities. Further, as noted above, BankAtlantic Bancorp has deferred making interest payments on the trust preferred securities and BankAtlantic Bancorp financial condition would be adversely affected if interest payments on the trust preferred securities were deferred for a prolonged period of time. While BankAtlantic Bancorp anticipates that it will continue to defer interest payments for the foreseeable future, in the event that BankAtlantic Bancorp completes offers to purchase for less than all of its series of trust preferred securities, BankAtlantic Bancorp expects that it may cease the deferral of interest on the series of trust preferred securities which will not be repurchased prior to completing the repurchase of the other series and immediately thereafter once again commence the deferral of interest with respect to all remaining series of trust preferred securities not repurchased. Any issuance of our Class A common stock to raise funds to finance the purchase of any or all of the trust preferred securities subject to these offers could be extremely dilutive to existing shareholders.

Historically, BankAtlantic Bancorp has relied on dividends from BankAtlantic to service its debt and pay dividends, but no dividends from BankAtlantic are anticipated or contemplated for the foreseeable future.

Generally, a financial institution is permitted to make capital distribution without prior OTS approval in an amount equal to its net income for the current calendar year to date, plus retained net income for the previous two years, provided that the financial institution would not become under-capitalized as a result of the distribution. At December 31, 2009, BankAtlantic had a retained net deficit and therefore is required to obtain approval from the OTS in order to make capital distributions to BankAtlantic Bancorp. BankAtlantic does not intend to seek to make any capital distribution for the foreseeable future.

For a further discussion refer to Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources.

The decline in the Florida real estate market has adversely affected, and may continue to adversely affect, our earnings and financial condition.

The continued deterioration of economic conditions in the Florida residential real estate market, including the continued decline in median home prices year-over-year in all major metropolitan areas in Florida, and the downturn in the Florida commercial real estate market, resulted in a substantial increase in BankAtlantic s non-performing assets and provision for loan losses over the past three years. The housing industry is in the midst of a substantial and prolonged downturn reflecting, in part, decreased availability of mortgage financing for residential home buyers, reduced demand for new construction resulting in a significant over-supply of housing inventory and increased foreclosure rates. Additionally, the deteriorating condition of the Florida economy and these adverse market conditions have negatively impacted the commercial non-residential real estate market. BankAtlantic s earnings and financial condition were adversely impacted over the past three years as the majority of its loans are secured by real estate in Florida. We expect that our earnings and financial condition will continue to be unfavorably impacted if market conditions do not improve or deteriorate further in Florida. At December 31, 2009, BankAtlantic s loan portfolio included $263 million of non-accrual loans concentrated in Florida.

Our loan portfolio is concentrated in loans secured by real estate, a majority of which are located in Florida, which makes us very susceptible to credit losses given the current depressed real estate market.

Conditions in the United States real estate market have deteriorated significantly beginning in 2007, particularly in Florida, BankAtlantic s primary lending area. BankAtlantic s loan portfolio is concentrated in commercial real estate loans (most of which are located in Florida and many of which involve residential land development), residential mortgages (nationwide), and consumer home-equity loans (throughout BankAtlantic s markets in Florida). BankAtlantic has a heightened exposure to credit losses that may arise from this concentration as a result of the significant downturn in the Florida real estate markets. At December 31, 2009, BankAtlantic s loan portfolio included $2.5 billion of loans concentrated in Florida, which represented approximately 62% of its loan portfolio.

We believe that BankAtlantic s commercial residential loan portfolio has significant exposure to further declines in the Florida residential real estate market. The Builder land bank loan category held by BankAtlantic consists of 7 loans and aggregates $43.7 million of which six loans totaling $42.6 million were on non-accrual as of December 31, 2009. The Land acquisition and development loan category held by BankAtlantic consists of 27 loans and aggregates $171.9 million of which ten loans totaling $60.2 million were on non-accrual as of December 31, 2009. The Land acquisition, development and construction loan category held by BankAtlantic consists of 6 loans and aggregates $11.3 million of which one loan totaling $3.8 million was on non-accrual as of December 31, 2009.

In addition to the loans described above, during 2008, the Company formed an asset workout subsidiary which acquired non-performing commercial residential real estate loans from BankAtlantic. The balance of these non-performing loans as of December 31, 2009 was $39.4 million with $14.1 million, $10.4 million and $14.9 million of builder land bank loans , land acquisition and development loans , and land acquisition, development and construction loans , respectively.

Market conditions have and may in the future result in our commercial real estate borrowers having difficulty selling lots or homes in their developments for an extended period, which in turn could result in an increase in residential construction loan delinquencies and non-accrual balances. Additionally, if the current depressed economic environment continues or deteriorates further, collateral values may decline further which likely would result in increased credit losses in these loans.

Included in the commercial and construction and development real estate loans are approximately $638.4 million of commercial non-residential and commercial land loans. A borrowers ability to repay these loans is dependent upon additional leasing through the life of the loan or the borrower s successful operation of a business. Weak economic conditions may impair a borrower s business operations and typically slow the execution of new leases. Such economic conditions may also lead to existing lease turnover. As a result of these factors, vacancy rates for retail, office and industrial space are expected to continue to rise in 2010. Increased vacancies could result in rents falling further over the next several quarters. The combination of these factors could result in further deterioration in real estate market conditions and BankAtlantic may recognize higher credit losses on these loans, which would adversely affect our results of operations and financial condition.

BankAtlantic s commercial real estate loan portfolio includes 16 large lending relationships totaling $429.0 million, including relationships with unaffiliated borrowers involving lending commitments in each case in excess of $20 million. Defaults by any of these borrowers could have a material adverse effect on BankAtlantic s results.

BankAtlantic s consumer loan portfolio is concentrated in home equity loans collateralized by Florida properties primarily located in the markets where BankAtlantic operates its store network.

The decline in residential real estate prices and higher unemployment throughout Florida has resulted in an increase in mortgage delinquencies and higher foreclosure rates. Additionally, in response to the turmoil in the credit markets, financial institutions have tightened underwriting standards which has limited borrowers ability to refinance. These conditions have adversely impacted delinquencies and credit loss trends in BankAtlantic s home equity loan portfolio and it does not currently appear that these conditions will improve in the near term. Approximately 76% of the loans in BankAtlantic s home equity portfolio are residential second mortgages and BankAtlantic experienced higher delinquencies and credit losses in this portfolio during 2009. If current economic conditions do not improve and home prices continue to fall, BankAtlantic may continue to experience higher credit losses from this loan portfolio. Since the collateral for this portfolio consists primarily of second mortgages, it is unlikely that BankAtlantic will be successful in recovering all or any portion of its loan proceeds in the event of a default unless BankAtlantic is prepared to repay the first mortgage and such repayment and the costs associated with a foreclosure are justified by the value of the property.

An increase in BankAtlantic s allowance for loan losses will result in reduced earnings.

As a lender, BankAtlantic is exposed to the risk that its customers will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans will not be sufficient to assure full repayment. BankAtlantic s management evaluates the collectability of BankAtlantic s loan portfolio and provides an allowance for loan losses that it believes is adequate based upon such factors as:

- the risk characteristics of various classifications of loans;
- previous loan loss experience;
- specific loans that have probable loss potential;
- delinquency trends;
- estimated fair value of the collateral;
- current economic conditions;
- the views of its regulators; and
- geographic and industry loan concentrations.

Many of these factors are difficult to predict or estimate accurately, particularly in a changing economic environment. The process of determining the estimated losses inherent in BankAtlantic s loan portfolio requires subjective and complex judgments and the level of uncertainty concerning economic conditions may adversely affect BankAtlantic s ability to estimate the losses which may be incurred in its loan portfolio. If BankAtlantic s evaluation is incorrect and borrower defaults cause losses exceeding the portion of the allowance for loan losses allocated to those loans or if BankAtlantic perceives adverse trends that require it to significantly increase its allowance for loan losses in the future, our earnings could be significantly and adversely affected.

Increases in the allowance for loan losses with respect to the loans held by our asset workout subsidiary, or losses in that portfolio which exceed the current allowance assigned to that portfolio, would similarly adversely affect us.

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Adverse events in Florida, where our business is currently concentrated, could adversely impact our results and future growth.

BankAtlantic s business, the location of its stores, the primary source of repayment for its small business loans and the real estate collateralizing its commercial real estate loans (and the loans held by our asset workout subsidiary) and its home equity loans are primarily concentrated in Florida. As a result, we are exposed to geographic risks as increasing unemployment, declines in the housing industry and declines in the real estate market are more severe in Florida than in the rest of the country. Adverse changes in laws and regulations in Florida would have a greater negative impact on our revenues, financial condition and business than on similar institutions in markets outside of Florida. Further, the State of Florida is subject to the risks of natural disasters such as tropical storms and hurricanes, which may disrupt our operations, adversely impact the ability of our borrowers to timely repay their loans and the value of any collateral held by us or otherwise have an adverse effect on our results of operations. The severity and impact of tropical storms, hurricanes and other weather related events are difficult to predict and may be exacerbated by global climate change.

BankAtlantic s interest-only residential loans expose it to greater credit risks.

Approximately $776 million of BankAtlantic s purchased residential loan portfolio consists of interest-only loans which represent approximately 50% of the total purchased residential loan portfolio. While these loans are not considered sub-prime or negative amortizing loans, they are loans with reduced initial loan payments with the potential for significant increases in monthly loan payments in subsequent periods, even if interest rates do not rise, as required amortization of the principal commences. Monthly loan payments will also increase as interest rates increase. This presents a potential repayment risk if the borrower is unable to meet the higher debt service obligations or refinance the loan. As previously noted, current economic conditions in the residential real estate markets and the mortgage finance markets have made it more difficult for borrowers to refinance their mortgages which also increase our exposure to loss.

Nonperforming assets take significant time to resolve and adversely affect our results of operations and financial condition, and could result in further losses in the future.

At December 31, 2009 and 2008, the Company s consolidated nonperforming loans totaled $331.0 million and $287.4 million, or 8.96% and 6.65% of our loan portfolio, respectively. At December 31, 2009 and 2008, the Company s consolidated nonperforming assets (which include nonperforming loans and foreclosed real estate) were $379.7 million and $307.9 million, or 7.88% and 5.30% of our total assets, respectively. In addition, the Company had, on a consolidated basis, approximately $72.9 million and $95.3 million in accruing loans that were 30-89 days delinquent at December 31, 2009 and 2008, respectively. Our nonperforming assets adversely affect our net income in various ways. Until economic and real estate market conditions improve, particularly in Florida but also nationally, we expect to continue to incur additional losses relating to an increase in nonperforming loans and nonperforming assets. We do not record interest income on nonperforming loans or real estate owned. When we receive the collateral in foreclosures or similar proceedings, we are required to mark the related collateral to the then fair market value, generally based on appraisals of the property obtained by us, which often results in an additional loss. These loans and real estate owned also increase our risk profile, and increases in the level of nonperforming loans and nonperforming assets could impact our regulators view of appropriate capital levels in light of such risks. While we seek to manage our problem assets through loan sales, workouts, restructurings and other alternatives, decreases in the value of these assets, or the underlying collateral, or in these borrowers performance or financial conditions, which is often impacted by economic and market conditions beyond our control, could adversely affect our business, results of operations and financial condition. In addition, the resolution of nonperforming assets requires significant commitments of time from management, which can be detrimental to the performance of their other responsibilities.

Changes in interest rates could adversely affect our net interest income and profitability.

The majority of BankAtlantic s assets and liabilities are monetary in nature. As a result, the earnings and growth of BankAtlantic are significantly affected by interest rates, which are subject to the influence of economic conditions generally, both domestic and foreign, events in the capital markets and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve Board. The nature and timing of any changes in such policies or general economic conditions and their effect on BankAtlantic cannot be controlled and are extremely difficult to predict. Changes in interest rates can impact BankAtlantic s net interest income as well as the valuation of its assets and liabilities.

Banking is an industry that depends to a large extent on its net interest income. Net interest income is the difference between:

interest income on interest-earning assets, such as loans; and

interest expense on interest-bearing liabilities, such as deposits.

Changes in interest rates can have differing effects on BankAtlantic s net interest income. In particular, changes in market interest rates, changes in the relationships between short-term and long-term market interest rates, or the yield curve, or changes in the relationships between different interest rate indices can affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income and therefore reduce BankAtlantic s net interest income. While BankAtlantic has attempted to structure its asset and liability management strategies to mitigate the impact on net interest income of changes in market interest rates, there is no assurance that BankAtlantic will be successful in doing so.

Loan and mortgage-backed securities prepayment decisions are also affected by interest rates. Loan and securities prepayments generally accelerate as interest rates fall. Prepayments in a declining interest rate environment reduce BankAtlantic s net interest income and adversely affect its earnings because:

it amortizes premiums on acquired loans and securities, and if loans or securities are prepaid, the unamortized premium will be charged off; and

the yields it earns on the investment of funds that it receives from prepaid loans and securities are generally less than the yields that it earned on the prepaid loans.

Significant loan prepayments in BankAtlantic s mortgage and investment portfolios in the future could have an adverse effect on BankAtlantic s earnings as proceeds from the repayment of loans may be reinvested in loans with lower interest rates. Additionally, increased prepayments associated with purchased residential loans may result in increased amortization of premiums on acquired loans, which would reduce BankAtlantic s interest income.

In a rising interest rate environment, loan and securities prepayments generally decline, resulting in yields that are less than the current market yields. In addition, the credit risks of loans with adjustable rate mortgages may worsen as interest rates rise and debt service obligations increase.

BankAtlantic uses a computer model using standard industry software to assist it in its efforts to quantify BankAtlantic s interest rate risk. The model measures the potential impact of gradual and abrupt changes in interest rates on BankAtlantic s net interest income. While management would attempt to respond to the projected impact on net interest income, there is no assurance that management s efforts will be successful.

BankAtlantic obtains a significant portion of its non-interest income through service charges on core deposit accounts, and recent legislation designed to limit service charges could reduce our fee income.

BankAtlantic s deposit account growth has generated a substantial amount of service charge income. The largest component of this service charge income is overdraft fees. Changes in banking regulations, in particular the Federal Reserve s new rules prohibiting banks from automatically enrolling customers in overdraft protection programs which will become effective July 1, 2010, may have a significant adverse impact on our service charge income and overall results. Additionally, changes in customer behavior as well as increased competition from other financial institutions could result in declines in deposit accounts or in overdraft frequency resulting in a decline in service charge income. Further, the downturn in the Florida economy could result in the inability to collect overdraft fees. A reduction in deposit account fee income could have an adverse impact on our earnings.

***The cost and outcome of pending legal proceedings may impact our results of operations*.**

BankAtlantic Bancorp, BankAtlantic and their subsidiaries are currently parties in ongoing litigation and legal proceedings which have resulted in a significant increase in non-interest expense relating to legal and other professional fees. Pending proceedings include class action securities litigation and an SEC investigation, as well as litigation arising out of our banking operations including workouts and foreclosures, potential class actions by customers relating to their accounts and service and overdraft fees and legal proceedings associated with our tax certificate business and relationships with third party tax certificate ventures. While we believe that we have meritorious defenses in these proceedings and that the outcomes should not materially impact us, we anticipate continued elevated legal and related costs as parties to the actions and the ultimate outcomes of the matters are uncertain.

BankAtlantic has significantly reduced operating expenses over the past three years and BankAtlantic may not be able to continue to reduce expenses without adversely impacting its operations.

BankAtlantic s operating expenses have declined from $313.9 million for the year ended December 31, 2007 to $258.8 million for the year ended December 31, 2009. BankAtlantic reorganized its operations during this period and significantly reduced operating expenses while focusing on its core businesses and seeking to maintain quality customer service. While management is focused on reducing overall expenses, there is no assurance that BankAtlantic will be successful in efforts to further reduce expenses or that the current expense reductions can be maintained in the current environment. BankAtlantic s inability to reduce or maintain its current expense structure may have an adverse impact on our results.

Deposit insurance premium assessments may increase substantially, which would adversely affect expenses.

BankAtlantic s FDIC deposit insurance expense for the year ended December 31, 2009 was $11.0 million, including a $2.4 million special assessment. In September 2009, the FDIC issued a rule requiring institutions to prepay their insurance premiums for all of 2010, 2011 and 2012, and increased annual insurance rates uniformly by three basis points in 2011. BankAtlantic s prepaid insurance assessment was $31.3 million at December 31, 2009. If the economy worsens and the number of bank failures significantly increase or if the FDIC otherwise determines that action is necessary, BankAtlantic may be required to pay additional FDIC specific assessments or incur increased annual insurance rates which would increase our expenses and adversely impact our results.

Further reductions in BankAtlantic s assets may adversely affect our earnings and/or operations.

BankAtlantic has reduced its assets and repaid borrowings in order to improve its liquidity and regulatory capital ratios. The reduction of earning asset balances has reduced our net interest income. Our net interest income was $193.6 million for the year ended December 31, 2008 and $163.3 million for the year ended December 31, 2009. The reduction in net interest income from earning asset reductions has previously been offset by lower operating expenses in prior periods. Our ability to further reduce expenses without adversely affecting our operations may be limited and as a result, further reductions in our earning asset balances in future periods, may adversely affect earnings and/or operations.

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Adverse market conditions have affected and may continue to affect the financial services industry as well as our business and results of operations.

Our financial condition and results of operations have been, and may continue to be, adversely impacted as a result of the downturn in the U.S. housing market and general economic conditions. Dramatic declines in the national and, in particular, Florida housing markets over the past three years, with falling home prices and increasing foreclosures and unemployment, have negatively impacted the credit performance of our loans and resulted in significant asset impairments at all financial institutions, including government-sponsored entities, major commercial and investment banks, and regional and community financial institutions including BankAtlantic. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The continuing economic pressure on consumers and lack of confidence in the financial markets has adversely affected and may continue to adversely affect our business, financial condition and results of operations. Further negative market and economic developments may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and provisions for loan losses. Continuing economic deterioration that affects household and/or corporate incomes could also result in reduced demand for credit or fee-based products and services. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on BankAtlantic and others in the financial services industry. In particular, we may face the following risks in connection with these events:

BankAtlantic s borrowers may be unable to make timely repayments of their loans, or the value of real estate collateral securing the payment of such loans may continue to decrease which could result in increased delinquencies, foreclosures and customer bankruptcies, any of which would increase levels of non-performing loans resulting in significant credit losses, and increased expenses and could have a material adverse effect on our operating results.

Further disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations, may result in an inability to borrow on favorable terms or at all from other financial institutions or government entities.

Increased regulation of the industry may increase costs, decrease fee income and limit BankAtlantic s activities and operations.

Increased competition among financial services companies based on the recent consolidation of competing financial institutions and the conversion of investment banks into bank holding companies, may adversely affect BankAtlantic s ability to competitively market its products and services.

BankAtlantic may be required to pay significantly higher FDIC deposit premiums and assessments.

Continued asset valuation declines could adversely impact our credit losses and result in additional impairments of goodwill and other assets.

Legislative and regulatory actions taken now or in the future may have a significant adverse effect on our financial statements.

During 2009, the U.S. Treasury implemented various initiatives in response to the financial crises affecting the banking system and financial markets. These initiatives include the U.S. Treasury s Capital Purchase Program (the CPP), the guarantee of certain financial institution indebtedness, purchasing certain legacy loans and assets from financial institutions, the purchase of mortgage securitizations, homeowner relief that encourages loan restructuring and modification, the establishment of significant liquidity and credit facilities for financial institutions and investment banks, the lowering of the federal funds rate, emergency action against short selling practices, a temporary guaranty program for money market funds, the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers, coordinated international efforts to address illiquidity and other weaknesses in

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the banking sector and other programs being developed. There can be no assurance as to the actual impact that the initiatives that have been adopted or may be adopted in the future will have on the financial markets. The initiatives could have a material and adverse affect on BankAtlantic s business, financial condition, results of operations and access to credit.

Further, recent events in the financial services industry and, more generally, in the financial markets and the economy, have led to various proposals for changes in the regulation of the financial services industry. Earlier in 2009, legislation proposing significant structural reforms to the financial services industry was introduced in the U.S. Congress. Among other things, the legislation proposes the establishment of a Consumer Financial Protection Agency, which would have broad authority to regulate providers of credit, savings, payment and other consumer financial products and services. Additional legislative proposals call for heightened scrutiny and regulation of any financial firm whose combination of size, leverage, and interconnectedness could, if it failed, pose a threat to the country s financial stability, including the power to restrict the activities of such firms and even require the break-up of such firms at the behest of the relevant regulator. New rules have also been proposed for the securitization market, including requiring sponsors of securitizations to retain a material economic interest in the credit risk associated with the underlying securitization.

Other recent initiatives also include:

The Federal Reserve s proposed guidance on incentive compensation policies at banking organizations and the FDIC s proposed rules tying employee compensation to assessments for deposit insurance;

Proposals to limit a lender s ability to foreclose on mortgages or make such foreclosures less economically viable, including by allowing Chapter 13 bankruptcy plans to cram down the value of certain mortgages on a consumer s principal residence to its market value and/or reset interest rates and monthly payments to permit defaulting debtors to remain in their home;

Proposed legislation concerning the comprehensive regulation of the over-the-counter derivatives market, including robust and comprehensive prudential supervision (including strict capital and margin requirements) for all over-the-counter derivative dealers and major market participants and central clearing of standardized over-the-counter derivatives; and

Proposal which would prohibit banks and bank holding companies from engaging in proprietary trading or owning, investing or sponsoring a hedge fund or private equity fund.

The proposed legislation contains several provisions that would have a direct impact on us. Under the proposed legislation, the federal savings association charter would be eliminated and the Office of Thrift Supervision would be consolidated with the Comptroller of the Currency into a new regulator, the National Bank Supervisor. The proposed legislation would also require BankAtlantic to convert to a national bank.

While there can be no assurance that any or all of the proposed regulatory or legislative changes will ultimately be adopted, these changes or any future changes, if enacted or adopted, may impact our business activities, require us to change certain of our business practices, materially affect our business model or affect retention of key personnel, and could expose us to additional costs (including increased compliance costs). These changes may also require us to invest significant management attention and resources to make any necessary changes, and could therefore also adversely affect our business and operations.

There can be no assurance as to the actual impact that the initiatives that have been adopted or may be adopted in the future will have on banks or the financial markets. These government initiatives could potentially have a material and adverse affect on BankAtlantic s business, financial condition, results of operations and access to credit.

The Company and BankAtlantic are each subject to significant regulation and the Company s activities and the activities of the Company s subsidiaries, including BankAtlantic, are subject to regulatory requirements that could have a material adverse effect on the Company s business.

The banking industry is an industry subject to multiple layers of regulation. Failure to comply with any of these regulations can result in substantial penalties, significant restrictions on business activities and growth plans and/or limitations on dividend payments. As a holding company, BankAtlantic Bancorp is also subject to significant regulation. For a description of the primary regulations applicable to BankAtlantic and BankAtlantic Bancorp, see Regulations and Supervision . Changes in the regulation or capital requirements associated with holding companies generally or BankAtlantic Bancorp in particular could also have an adverse impact on our business and operating results.

The Company is a grandfathered unitary savings and loan holding company and has broad authority to engage in various types of business activities. The OTS can prevent the Company from engaging in activities or limit those activities if it determines that there is reasonable cause to believe that the continuation of any particular activity constitutes a serious risk to the financial safety, soundness, or stability of BankAtlantic. The OTS can also:

- prohibit the payment of dividends by BankAtlantic to the Company;
- limit transactions between the Company, BankAtlantic and the subsidiaries or affiliates of either;
- limit the Company s activities and the activities of BankAtlantic; or
- Impose capital requirements on the Company or additional capital requirements on BankAtlantic.

Unlike bank holding companies, as a unitary savings and loan holding company the Company has not historically been subject to capital requirements. However, the OTS has indicated that it may, in the future, impose capital requirements on savings and loan holding companies. In addition, as noted above, the current administration has proposed legislation which would, among other things, eliminate the status of savings and loan holding company and require BankAtlantic Bancorp to register as a bank holding company, which would subject BankAtlantic Bancorp to regulatory capital requirements. Further, the OTS or other regulatory bodies having authority over the Company in the future may adopt regulations in the future that would affect the Company s operations, including the Company s ability to pay dividends or to engage in certain transactions or activities. See Regulation and Supervision Holding Company.

BankAtlantic is subject to liquidity risk as its loans are funded by its deposits.

Like all financial institutions, BankAtlantic s assets are primarily funded through its customer deposits and changes in interest rates, availability of alternative investment opportunities, a loss of confidence in financial institutions in general or BankAtlantic in particular, and other factors may make deposit gathering more difficult. If BankAtlantic experiences decreases in deposit levels, it may need to increase its borrowings or liquidate a portion of its assets which may not be readily saleable. Additionally, interest rate changes or further disruptions in the capital markets may make the terms of borrowings and deposits less favorable. For a further discussion on liquidity, refer to Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources.

Our loan portfolio subjects us to high levels of credit and counterparty risk.

We are exposed to the risk that our borrowers or counter-parties may default on their obligations. Credit risk arises through the extension of loans, certain securities, letters of credit, and financial guarantees and through counter-party exposure on trading and wholesale loan transactions. In an attempt to manage this risk, we seek to establish policies and procedures to manage both on and off-balance sheet (primarily loan commitments) credit risk.

BankAtlantic reviews the creditworthiness of individual borrowers or counter-parties, and limits are established for the total credit exposure to any one borrower or counter-party; however, such limits may

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not have the effect of adequately limiting credit exposure. In addition, when deciding whether to extend credit or enter into other transactions with customers and counterparties, we often rely on information furnished to us by such customers and counterparties, including financial statements and other financial information, and representations of the customers and counterparties that relates to the accuracy and completeness of the information. While we take all actions we deem necessary to ensure the accuracy of the information provided to us, there is no assurance that all information provided to us will be accurate or that we will successfully identify all information needed to fully assess the risk which may expose us to increased credit risk and counterparty risk.

BankAtlantic also enters into participation agreements with or acquires participation interests from other lenders to limit its credit risk, but will continue to be subject to risks with respect to its interest in the loan, as well as not being in a position to make independent determinations with respect to its interest. Further, the majority of BankAtlantic s residential loans are serviced by others. The servicing agreements may restrict BankAtlantic s ability to initiate work-out and modification arrangements with borrowers which could adversely impact BankAtlantic s ability to minimize losses on non-performing loans.

The Company is also exposed to credit and counterparty risks with respect to loans held in its asset workout subsidiary.

The Company is controlled by BFC Financial Corporation and its controlling shareholders and this control position may adversely affect the market price of the Company s Class A common stock.

As of December 31, 2009, BFC Financial Corporation (BFC) owned all of the Company s issued and outstanding Class B common stock and 17,333,428 shares, or approximately 35.9%, of the Company s issued and outstanding Class A common stock. BFC s holdings represent approximately 66% of the Company s total voting power. Additionally, Alan B. Levan, our Chairman and Chief Executive Officer, and John E. Abdo, our Vice Chairman, beneficially own shares of BFC s Class A and Class B common stock representing approximately 71.6% of BFC s total voting power. The Company s Class A common stock and Class B common stock vote as a single group on most matters. Accordingly, BFC, directly, and Messrs. Levan and Abdo, indirectly through BFC, are in a position to control the Company, elect the Company s Board of Directors and significantly influence the outcome of any shareholder vote, except in those limited circumstances where Florida law mandates that the holders of the Company s Class A common stock vote as a separate class. This control position may have an adverse effect on the market price of the Company s Class A common stock.

BFC can reduce its economic interest in us and still maintain voting control.

Our Class A common stock and Class B common stock generally vote together as a single class, with our Class A common stock possessing a fixed 53% of the aggregate voting power of all of our common stock and our Class B common stock possessing a fixed 47% of such aggregate voting power. Our Class B common stock currently represents approximately 2% of our common equity and 47% of our total voting power. As a result, the voting power of our Class B common stock does not bear a direct relationship to the economic interest represented by the shares. Any issuance of shares of our Class A common stock will further dilute the relative economic interest of our Class B common stock, but will not decrease the voting power represented by our Class B common stock. Further, our Restated Articles of Incorporation provide that these relative voting percentages will remain fixed until such time as BFC and its affiliates own less than 487,613 shares of our Class B common stock, which is approximately 50% of the number of shares of our Class B common stock that BFC now owns, even if additional shares of our Class A common stock are issued. Therefore, BFC may sell up to approximately 50% of its shares of our Class B common stock (after converting those shares to Class A common stock), and significantly reduce its economic interest in us, while still maintaining its voting power. If BFC were to take this action, it would widen the disparity between the equity interest represented by our Class B common stock and its voting power. Any conversion of shares of our Class B common stock into shares of our Class A common stock would further dilute the voting interests of the holders of our Class A common stock.

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Provisions in our charter documents may make it difficult for a third party to acquire us and could depress the price of our Class A Common Stock.

Our Restated Articles of Incorporation and Amended and Restated Bylaws contain provisions that could delay, defer or prevent a change of control of the Company or our management. These provisions could make it more difficult for shareholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our Class A common stock. These provisions include:

- the provisions in our Restated Articles of Incorporation regarding the voting rights of our Class B common stock;

- the authority of our board of directors to issue additional shares of common or preferred stock and to fix the relative rights and preferences of the preferred stock without additional shareholder approval;

- the division of our board of directors into three classes of directors with three-year staggered terms; and

- advance notice procedures to be complied with by shareholders in order to make shareholder proposals or nominate directors.

A sustained decline in the Company s Class A common stock price may result in the delisting of its Class A common stock from the New York Stock Exchange.

The Company s Class A common stock currently trades on the New York Stock Exchange. Like many other companies involved in the financial services industry, the trading price of the Company s Class A common stock has experienced a substantial decline. A listed company would be deemed to be below compliance with the continued listing standards of the New York Stock Exchange if, among other things, the listed company s average closing price was less than $1.00 over a consecutive 30 trading day period or the listed company s average market capitalization was less than $15 million over a consecutive 30 trading day period. As of February 25, 2010, the average market price of the Company s Class A common stock over the prior 30 trading day period was $1.41, and the Company s average market capitalization over that period was $69.3 million. However, the market price of the Company s Class A common stock is subject to significant volatility and there is no assurance that it will not decrease in the future so as to cause the Company not to comply with the New York Stock Exchange s requirement for continued listing.

If the Company does not meet the requirements for continued listing, then the Company s Class A common stock will be delisted from the New York Stock Exchange. In such case, the Company would attempt to cause its Class A common stock to be eligible for quotation on the OTC Bulletin Board. However, in such event, the trading price of the Company s Class A common stock would likely be adversely impacted, it may become more difficult for the holders of the Company s Class A common stock to sell or purchase shares of the Company s Class A common stock, and it may become more difficult for the Company to raise capital, which could materially and adversely impact our business, prospects, financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

BankAtlantic owns the Company s and BankAtlantic s principal and executive offices which are located at 2100 West Cypress Creek Road, Fort Lauderdale, Florida, 33309.

The following table sets forth owned and leased stores by region at December 31, 2009:

	Miami - Dade	Broward	Palm Beach	Tampa Bay
Owned full-service stores	9	13	25	7
Leased full-service stores	11	11	5	5
Ground leased full-service stores (1)	3	3	1	7
Total full-service stores	23	27	31	19
Lease expiration dates	2010-2018	2010-2015	2011-2014	2010-2023
Ground lease expiration dates	2026-2027	2017-2072	2026	2026-2032

(1) Stores in which BankAtlantic owns the building and leases the land.

The following table sets forth leased drive-through facilities and leased back-office facilities by region at December 31, 2009:

	Miami - Dade	Broward	Palm Beach	Tampa Bay	Orlando / Jacksonville
Leased drive-through facilities	1	2			
Leased drive through expiration dates	2010	2011-2014			
Leased back-office facilities				2	1
Leased back-office expiration dates				2014	2013

As of December 31, 2009, BankAtlantic was seeking to sublease or terminate eight operating leases and was a party under two ground leases for the construction of new stores. BankAtlantic also has six parcels of land held for sale with an estimated market value of $6.0 million.

	Miami - Dade	Broward	Palm Beach	Tampa Bay	Orlando / Jacksonville
Executed leases for new stores		1	1		
Executed lease expiration dates		2030	2028		

Executed leases held for sublease	1		5	2
Executed lease expiration dates	2013		2010-2048	2028-2029
Land held for sale		1	1	4

ITEM 3. LEGAL PROCEEDINGS

***In re BankAtlantic Bancorp, Inc. Securities Litigation*, No. 0:07-cv-61542-UU, United States District Court, Southern District of Florida**

On October 29, 2007, Joseph C. Hubbard filed a purported class action in the United States District Court for the Southern District of Florida against the Company and four of its current or former officers. The Defendants in this action are BankAtlantic Bancorp, Inc., James A. White, Valerie C. Toalson, Jarett S. Levan, and Alan B. Levan. The Complaint, which was later amended, alleges that during the purported class period of November 9, 2005 through October 25, 2007, the Company and the named officers knowingly and/or recklessly made misrepresentations of material fact regarding BankAtlantic and specifically BankAtlantic s loan portfolio and allowance for loan losses. The Complaint seeks to assert claims for violations of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and seeks unspecified damages. On December 12, 2007, the Court consolidated into *Hubbard* a separately filed action captioned *Alarm Specialties, Inc. v. BankAtlantic Bancorp, Inc.*, No. 0:07 cv-61623-WPD. On February 5, 2008, the Court appointed State-Boston Retirement System lead plaintiff and Lubaton Sucharow LLP to serve as lead counsel pursuant to the provisions of the Private Securities Litigation Reform Act. The Company believes the claims to be without merit and intends to vigorously defend the actions.

***D.W. Hugo, individually and on behalf of Nominal Defendant BankAtlantic Bancorp, Inc. vs. BankAtlantic Bancorp, Inc., Alan B. Levan, Jarett S. Levan, Jay C. McClung, Marcia K. Snyder, Valerie Toalson, James A. White, John E. Abdo, D. Keith Cobb, Steven M. Coldren, and David A. Lieberman,* Case No. 0:08-cv-61018-UU, United States District Court, Southern District of Florida**

On July 2, 2008, D.W. Hugo filed a purported class action which was brought as a derivative action on behalf of the Company pursuant to Florida laws in the United States District Court, Southern District of Florida against the Company and the above listed officers and directors. The Complaint alleges that the individual defendants breached their fiduciary duties by engaging in certain lending practices with respect to the Company s Commercial Real Estate Loan Portfolio. The Complaint further alleges that the Company s public filings and statements did not fully disclose the risks associated with the Commercial Real Estate Loan Portfolio and seeks damages on behalf of the Company.

On December 2, 2008, the Circuit Court for Broward County stayed a separately filed action captioned *Albert R. Feldman, Derivatively on behalf of Nominal Defendant BankAtlantic Bancorp, Inc. vs. Alan B. Levan, et al.,* Case No. 0846795 07. The court granted the motion to stay the action pending further order of the court and allowing any party to move for relief from the stay, provided the moving party gives at least thirty days written notice to all of the non-moving parties. The Company believes the claims to be without merit and intends to vigorously defend the actions.

***Wilmine Almonor, individually and on behalf of all others similarly situated, vs. BankAtlantic Bancorp, Inc., Steven M. Coldren, Mary E. Ginestra, Willis N. Holcombe, Jarett S. Levan, John E. Abdo, David A. Lieberman, Charlie C. Winningham II, D. Keith Cobb, Bruno L. DiGiulian, Alan B. Levan, James A. White, the Security Plus Plan Committee, and Unknown Fiduciary Defendants 1-50*, No. 0:07-cv-61862- DMM, United States District Court, Southern District of Florida.**

On December 20, 2007, Wilmine Almonor filed a purported class action in the United States District Court for the Southern District of Florida against the Company and the above-listed officers, directors, employees, and organizations. The Complaint alleges that during the purported class period of November 9, 2005 to present, the Company and the individual defendants violated the Employment Retirement Income Security Act (ERISA) by permitting company employees to choose to invest in the Company s Class A common stock in light of the facts alleged in the *Hubbard* securities lawsuit. The Complaint seeks to assert claims for breach of fiduciary duties, the duty to provide accurate information, the duty to avoid conflicts of interest under ERISA and seeks unspecified damages. On February 18, 2009, the Plaintiff filed a Second Amended Complaint, which, for the first time, identified by name the following additional Defendants that Plaintiff had previously attempted to identify by position: Anne B. Chervony, Lewis F. Sarrica, Susan D. McGregor, Jeff Callan, Patricia Lefebvre, Jeffrey Mindling, Tim Watson, Gino Martone, Jose Valle, Juan Carlos Ortigosa, Gerry Lachnicht, Victoria Bloomenfeld, Rita McManus, and Kathleen Youlden.

On July 14, 2009, the Court granted in part Defendants motion to dismiss the Second Amended Complaint, dismissing the following individual Defendants from Count II: Lewis Sarrica, Susan McGregor, Patricia Lefebvre, Jeffrey Mindling and Gerry Lachnicht. On July 28, 2009, the Court denied Plaintiff s motion for class certification. On January 13, 2010, the Court ruled that the Plaintiff s status as a Plan representative threatens the interests of the Plan, and in turn other Plan participants, and threatens the integrity of the judicial process. The court denied the Plaintiff s request to proceed as a Plan representative and accordingly, the case is currently proceeding solely on the basis of the Plaintiff s individual claim. The Company believes the claim to be without merit and intends to vigorously defend the action.

SEC Investigation

The Company has received a notice of investigation from the Securities and Exchange Commission, Miami Regional Office and subpoenas for information. The subpoenas request a broad range of documents relating to, among other matters, recent and pending litigation to which the Company is or was a party, certain of the Company s non-performing, non-accrual and charged-off loans, the Company s cost saving measures, BankAtlantic Bancorp s recently formed asset workout subsidiary and any purchases or sales of the Company s common stock by officers or directors of the Company. Various current and former employees have also received subpoenas for documents and testimony. The Company is fully cooperating with the SEC.

Lashelle Farrington, individually and on behalf of all others similarly situated, v. BankAtlantic, a Federal Savings Bank, Case No. 09-006210 (11), in the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida.

The original *Farrington* complaint was filed on February 2, 2009 against BankAtlantic and several of BankAtlantic s affiliates (namely, BA Financial Services, LLC, BankAtlantic Bancorp, Inc., BFC Financial Corporation, and Joe Does 1-10), and the Plaintiff subsequently amended her complaint to drop the non-BankAtlantic defendants. The Amended Complaint alleges that BankAtlantic breached its Personal Account Depositor s Agreement by charging overdraft fees for certain debit card purchases when the customer allegedly had sufficient funds in her account at the time that the items were paid even though the account was overdrawn at the close of business. The Plaintiff seeks to establish a class comprised of all persons or entities with accounts that incurred these allegedly improper overdraft fees on debit card transactions in the previous 5 years. The Plaintiff has not yet moved to certify a class. The Company believes the claims to be without merit and intends to vigorously defend the action

***Joel and Elizabeth Rothman, on behalf of themselves and all persons similarly situated vs. BankAtlantic,* Case No. 09-059341 (07), Circuit Court of the 17th Judicial Circuit for Broward County, Florida.**

On November 2, 2009, Joel and Elizabeth Rothman filed a purported class action against BankAtlantic in Florida state court. The Complaint asserts claims for breach of contract, breach of duty of good faith and fair dealing, unjust enrichment, conversion, and usury. Each of these counts is related to BankAtlantic s collection of overdraft fees. The Complaint alleges that BankAtlantic failed to adequately warn its customers about overdrafts, failed to give its customers the ability to opt out of an automatic overdraft protection program and improperly manipulated debit card transactions. The Plaintiffs seek to represent three classes of BankAtlantic customers in the State of Florida who were assessed overdraft fees. The Company believes the claims to be without merit and intends to vigorously defend the action.

In the ordinary course of business, the Company and its subsidiaries are also parties to lawsuits as plaintiff or defendant involving its bank operations, lending, and tax certificates activities. Although the Company believes it has meritorious defenses in the pending legal actions and that the outcomes of these pending legal matters should not materially impact us, the ultimate outcomes of these matters are uncertain.

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ITEM 4. RESERVED

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company s Class A common stock is traded on the New York Stock Exchange under the symbol BBX . BFC Financial Corporation (BFC) is the sole holder of the Company s Class B common stock and there is no trading market for the Company s Class B common stock. The Class B common stock may only be owned by BFC or its affiliates and is convertible into Class A common stock on a share for share basis.

On September 26, 2008, the Company completed a one-for-five reverse stock split. Where appropriate, amounts throughout this document have been adjusted to reflect this reverse stock split.

On March 11, 2010, there were approximately 621 record holders and 48,264,842 shares of the Class A common stock issued and outstanding. In addition, there were 975,225 shares of Class B common stock outstanding at March 11, 2010.

The following table sets forth, for the periods indicated, the high and low sale prices of the Class A common stock as reported by the New York Stock Exchange:

	Class A Common Stock Price	
	High	**Low**
For the year ended December 31, 2009	$ 6.68	$ 0.66
Fourth quarter	2.96	1.20
Third quarter	6.68	2.60
Second quarter	4.75	1.99
First quarter	5.67	0.66
For the year ended December 31, 2008	$ 29.00	$ 2.25
Fourth quarter	11.82	2.25
Third quarter	15.00	4.05
Second quarter	20.75	7.80
First quarter	29.00	16.30

Because the Company s Class A common stock is listed on the New York Stock Exchange, the Company s Chief Executive Officer is required to make, and he has made, an annual certification to the New York Stock Exchange stating that he was not aware of any violation by the Company of the corporate governance listing standards of the New York Stock Exchange. The Company s chief executive officer made his annual certification to that effect to the New York Stock Exchange on May 22, 2009. In addition, the Company has filed, as exhibits to this Annual Report on Form 10-K, the certifications of the Company s principal executive officer and principal financial officer required under Sections 906 and 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of the Company s public disclosure.

The Company had declared regular quarterly cash dividends on its common stock through January 2009. In February 2009, the Company elected to exercise its right to defer payments of interest on its trust preferred junior subordinated debt. The Company is permitted to defer quarterly interest payments for up to 20 consecutive quarters. During the deferral period, the Company will not pay dividends to its common shareholders. The Company can end the deferral period at any time by paying all accrued and unpaid interest. The availability of funds for cash dividend payments on the Company s common stock depends upon BankAtlantic s ability to pay cash dividends to the Company. Current regulations applicable to the

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payment of cash dividends by savings institutions limit capital distributions based on an institution s regulatory capital levels, retained net income and net income. See Risk Factors BankAtlantic Bancorp services its debt and pays dividends primarily from dividends from BankAtlantic, which are subject to regulatory limits and Regulation and Supervision Limitation on Capital Distributions. The Company does not expect to receive dividend payments from BankAtlantic for the foreseeable future due to BankAtlantic s recent net losses.

The cash dividends paid by the Company were as follows:

	Cash Dividends Per Share of Class B Common Stock	Cash Dividends Per Share of Class A Common Stock
Fiscal year ended December 31, 2009	$ 0.0250	$ 0.0250
Fourth quarter	0.0000	0.0000
Third quarter	0.0000	0.0000
Second quarter	0.0000	0.0000
First quarter	0.0250	0.0250
Fiscal year ended December 31, 2008	$ 0.0750	$ 0.0750
Fourth quarter	0.0000	0.0000
Third quarter	0.0250	0.0250
Second quarter	0.0250	0.0250
First quarter	0.0250	0.0250

On August 28, 2009, the Company distributed to each record holder of its Class A common stock and Class B common stock as of August 24, 2009 non-transferable subscription rights to purchase 4.441 shares of its Class A common stock for each share of Class A and Class B common stock owned on that date. The subscription price was $2.00 per share and the Company completed the rights offering on September 29, 2009 and issued 37,980,936 shares of its Class A common stock to exercising shareholders. The net proceeds from this rights offering were $75.5 million, net of offering costs. The Company used the net proceeds to contribute $75 million of capital to BankAtlantic.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	For the Years Ended December 31,				
(In thousands except share and per share data)	**2009**	**2008**	**2007**	**2006**	**2005**
Income Statement					
Total interest income	$ 223,593	314,516	371,633	367,177	345,894
Total interest expense	75,231	140,685	192,857	167,057	141,909
Net interest income	148,362	173,831	178,776	200,120	203,985
Provision for (recovery from) loan losses	232,658	159,801	70,842	8,574	(6,615)
Securities activities, net	11,180	2,039	8,412	9,813	847
Other non-interest income	118,641	135,525	143,420	132,803	101,452
Restructuring charges, impairments and exit activities	29,920	59,551	20,890	1,466	3,706
Other non-interest expense	236,844	278,798	296,460	298,720	243,264
(Loss) income from continuing operations before income taxes	(221,239)	(186,755)	(57,584)	33,976	65,929
Provision (benefit) for income taxes	(31,719)	32,489	(27,572)	7,097	23,403
(Loss) income from continuing operations	(189,520)	(219,244)	(30,012)	26,879	42,526
Discontinued operations, net of tax (5)	3,701	16,605	7,812	(11,492)	16,656
Net (loss) income	$ (185,819)	(202,639)	(22,200)	15,387	59,182
Performance ratios					
Return on average assets (1)	(3.60)	(3.50)	(0.47)	0.42	0.64
Return on average equity (1)	(92.44)	(51.03)	(5.91)	5.12	8.42
Average equity to average assets	3.90	6.86	7.91	8.19	7.65
Dividend payout ratio (2)	(0.15)	(0.38)	(24.79)	36.01	20.83

	For the Years Ended December 31,				
(In thousands except share and per share data)	**2009**	**2008**	**2007**	**2006**	**2005**
Diluted earnings per share					
Diluted (loss) earnings from continuing operations	$ (8.02)	(14.54)	(1.93)	1.61	2.53
Diluted earnings (loss) per share from discontinued operations (5)	0.15	1.10	0.51	(0.69)	0.94
Diluted (loss) earnings per share	$ (7.87)	(13.44)	(1.42)	0.92	3.47
Per common share data					
Cash dividends declared per common share Class A	$ 0.025	0.075	0.640	0.790	0.730
Cash dividends declared per common share Class B	0.025	0.075	0.640	0.790	0.730
Book value per share (3)	2.88	21.72	40.96	43.01	42.49

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(In thousands except share and per share data)	As of December 31, 2009	2008	2007	2006	2005
Balance Sheet (at year end)					
Loans, net	$ 3,694,326	4,326,651	4,524,188	4,595,920	4,624,772
Securities	433,318	948,592	1,169,673	1,059,111	1,042,217
Total assets	4,815,617	5,814,557	6,378,817	6,495,662	6,471,411
Deposits	3,969,680	3,919,796	3,953,405	3,867,036	3,752,676
Securities sold under agreements to repurchase and other short term borrowings	27,271	284,423	167,240	133,958	255,501
Other borrowings (4)	613,043	1,284,087	1,717,893	1,810,247	1,724,160
Stockholders equity	141,571	243,968	459,321	524,982	516,336
Asset quality ratios for BankAtlantic					
Non-performing assets, net of reserves, as a percent of total loans, tax certificates and repossessed assets	% 9.39	6.55	4.10	0.55	0.17
Loan loss allowance as a percent of non-performing loans	56.56	47.76	52.65	982.89	605.68
Loan loss allowance as a percent of total loans	4.83	3.07	2.04	0.94	0.88
Capital ratios for BankAtlantic:					
Total risk based capital	% 12.56	11.63	11.63	12.08	11.50
Tier I risk based capital	10.63	9.80	9.85	10.50	10.02
Leverage	7.58	6.80	6.94	7.55	7.42

1. The return on average assets is equal to income (loss) from continuing operations (numerator) divided by average consolidated assets (denominator) during the respective year. The return on average equity is equal to income (loss) from continuing operations (numerator) divided by average consolidated equity (denominator) during the respective year. Income (loss) from continuing operations excludes the income from Ryan Beck Holdings, Inc. for all periods presented.

While income (loss) from continuing operations (numerator) excludes income from these discontinued operations, average consolidated assets includes the assets of the discontinued operations.

2. Cash dividends declared on common shares divided by income from continuing operations.

3. The denominator of book value per share was computed by combining the number of Class A and Class B shares outstanding at year end for all periods.

4. Other borrowings consist of FHLB advances, subordinated debentures, notes, bonds payable, secured borrowings, and junior subordinated debentures. Loans under loan participation agreements that constituted a legal sale of a portion of the loan but that were not qualified to be accounted for as a loan sale are recorded as secured borrowings.

5.

Discontinued operations include the earnings of Ryan Beck for each of the years in the three year period ending December 31, 2007.

6. During the year ended December 31, 2009, the Company recognized a tax benefit associated with the enactment of tax legislation that increased the 2009 net operating loss carry-back period from two years to five years. During the year ended December 31, 2009 and 2008, the Company recorded a deferred tax valuation allowance for its entire net deferred tax asset.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Introduction

BankAtlantic Bancorp, Inc. is a Florida-based financial services holding company offering a full range of products and services through BankAtlantic, our wholly-owned banking subsidiary. As of December 31, 2009, we had total consolidated assets of approximately $4.8 billion, deposits of approximately $4.0 billion and shareholders equity of approximately $141.6 million. We operate through two primary business 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. As a consequence of the sale of Ryan Beck to Stifel, the results of operations of Ryan Beck are presented as Discontinued Operations in the Company s Consolidated Financial Statements for the year ended December 31, 2007.

Consolidated Results of Operations

Loss from continuing operations from each of the Company s reportable business segments follows (in thousands):

	For the Years Ended December 31,		
	2009	2008	2007
BankAtlantic	$ (148,708)	(166,144)	(19,440)
Parent Co.	(40,812)	(53,100)	(10,572)
Net loss	$ (189,520)	(219,244)	(30,012)

The lower loss from continuing operations at BankAtlantic during 2009 compared to the same 2008 period primarily resulted from BankAtlantic recognizing a $31.7 million income tax benefit during 2009 in connection with a change in tax regulations which enabled BankAtlantic to utilize additional net operating losses, while during 2008, BankAtlantic established a deferred tax valuation allowance on its entire amount of net deferred tax assets resulting in a tax provision of $31.1 million. BankAtlantic s 2009 loss before income taxes increased by $45.4 million compared to 2008. The higher 2009 loss primarily resulted from a $78.9 million increase in the provision for loan losses, a $30.3 million reduction in net interest income and $8.0 million of lower non-interest income. The increase in BankAtlantic s loss before income taxes was partially offset by $71.8 million of lower non-interest expenses.

The substantial increase in the provision for loan losses resulted primarily from a significant increase in charge-offs and loan loss reserves in our consumer, residential and commercial real estate loan portfolios. These portfolios continued to be negatively affected by the current adverse economic environment, especially declining collateral values and rising unemployment. If economic and real estate market conditions do not improve, we believe that additional provisions for loan losses may be required in future periods.

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The reduction in BankAtlantic s net interest income was primarily due to a decline in earning assets. BankAtlantic reduced its assets in order to improve its liquidity and regulatory capital ratios. BankAtlantic s average earnings assets declined by $790.6 million during 2009 compared to 2008.

The reduction in non-interest income primarily relates to a decline in overdraft fees. Overdraft fees represented approximately 54% of our non-interest income during 2009. This overdraft fee income decline reflects, in part, management s focus on targeting retail customers and businesses that maintain higher average deposit balances which generally will result in fewer overdrafts per account. We believe that this trend of declining overdraft fees will continue and could be accelerated by recent overdraft rules adopted by the Federal Reserve effective July 1, 2010. Congress has also proposed additional legislation to further limit the assessment of overdraft fees. These events could significantly reduce our overdraft fee income in subsequent periods.

In response to adverse economic conditions, BankAtlantic during 2009 continued to reduce expenses with a view towards increasing operating efficiencies. These operating expense initiatives included workforce reductions, consolidation of certain back-office facilities, renegotiation of vendor contracts, outsourcing of certain back-office functions, reduction in marketing expenses and other targeted expense reductions. Also, restructuring charges and other impairments declined by $33.0 million. These expense reductions were partially offset by $8.2 million of additional FDIC insurance premiums, including a $2.4 million FDIC special assessment in June 2009.

The significant decline in BankAtlantic s performance during the year ended December 31, 2008 compared to the same 2007 period primarily resulted from a $48.3 million goodwill impairment charge, the establishment of a $66.9 million deferred tax valuation allowance, a $64.5 million increase in the provision for loan losses and a decline in non-interest income. These items were partially offset by lower non-interest expenses, excluding the goodwill impairment charge. The substantial increase in BankAtlantic s provision for loan losses for 2008 compared to 2007 reflects net charge-offs for 2008 of $97.4 million compared to $20.4 million for 2007 and a $31.6 million increase in the allowance for loan losses during 2008. The charge-offs and loan reserve increases were primarily related to commercial real estate and consumer loans. The decline in BankAtlantic s non-interest income was primarily due to lower net assessments of overdraft fees. BankAtlantic non-interest expenses, excluding the goodwill impairment charge, declined by $31.6 million primarily due to management s expense reduction initiatives.

The decrease in the Parent Company segment loss during 2009 compared to 2008 reflects a $6.0 million reduction in the provision for loan losses and $4.9 million of reduced net interest expense. The provision for loan losses for both years was associated with non-performing loans acquired from BankAtlantic in March 2008. The 2009 provision for loan losses represents additional charge-offs and specific reserves associated with these loans due to declining real estate collateral values. The improvement in net interest expense reflects historically low LIBOR interest rates during 2009. The majority of the Parent Company s debt is indexed to the three-month LIBOR interest rate. The decline in interest rates was partially offset by interest accrued on the junior subordinated debentures deferred interest. Parent Company operating expenses were higher by $0.3 million during 2009 compared to 2008. Lower property management costs associated with non-performing loans during 2009 were offset by higher compensation expenses.

The increase in the Parent Company segment loss during 2008 compared to 2007 reflects a provision for loan losses of $24.4 million as well as the establishment of a $20.9 million deferred tax valuation allowance. The Parent Company had no provision for loan losses during the comparable 2007 period as it held no loans during that period. Additionally, gains from securities activities declined from $6.1 million during 2007 to a loss of $0.4 million during 2008 as the Parent Company liquidated its managed fund investment portfolio and sold its entire investment in Stifel securities acquired by it in connection with the 2007 sale of Ryan Beck. Parent Company operating expenses were higher by $4.5 million during 2008 compared to 2007. The increase reflects property management costs associated with non-performing loans and an increase in professional fees in 2008 compared to 2007.

During 2009 and 2008, the Parent Company recognized in discontinued operations $3.7 million and $16.6 million, respectively, of additional proceeds from the sale of Ryan Beck in connection with contingent earn-out payments under the Ryan Beck merger agreement with Stifel. Included in discontinued operations during 2007 relating to the Ryan Beck segment was income of $7.8 million. Ryan Beck s 2007 segment income reflects a $16.4 million gain from the sale of Ryan Beck to Stifel partially offset by an $8.6 million loss from operations during the two months ended February 28, 2007, the closing date of the sale to Stifel.

BankAtlantic Results of Operations

Summary

The following events over the past several years have had a significant impact on BankAtlantic s results of operations:

In April 2002, BankAtlantic launched its *Florida s Most Convenient Bank* initiative which resulted in significant demand deposit, NOW checking and savings account growth (we refer to these accounts as core deposit accounts). Since inception of this campaign, BankAtlantic has increased core deposit balances from $600 million at December 31, 2001 to approximately $2.7 billion at December 31, 2009. These core deposits represented 67% of BankAtlantic s total deposits at December 31, 2009, compared to 26% of total deposits at December 31, 2001.

In 2004, BankAtlantic announced its de novo store expansion strategy and had opened 32 stores as of December 31, 2009 in connection with this strategy. BankAtlantic s non-interest expenses substantially increased as a result of the hiring of additional personnel, increased marketing to support new stores, increased leasing and operating costs for the new stores and expenditures for back-office technologies to support a larger institution.

During the fourth quarter of 2005, the growth in core deposits slowed reflecting rising short-term interest rates and increased competition among financial institutions. In response to these market conditions, BankAtlantic significantly increased its marketing expenditures and continued its new store expansion program in an effort to sustain core deposit growth. The number of new core deposit accounts opened increased from 226,000 during 2005 to 270,000 during 2006, while core deposit balances grew to $2.2 billion at December 31, 2006 from $2.1 billion at December 31, 2005. In response to adverse economic conditions and the slowed deposit growth, BankAtlantic significantly reduced its marketing expenditures beginning during the fourth quarter of 2006 as part of an overall effort to reduce its non-interest expenses.

During the latter half of 2007, the real estate markets deteriorated rapidly throughout the United States, and particularly in Florida where BankAtlantic s commercial and consumer real estate loans are concentrated. In response to these market conditions, BankAtlantic significantly increased its allowance for loan losses for commercial loans collateralized by real estate property and to a lesser extent home equity consumer loans.

During the fourth quarter of 2007, the decision was made to delay BankAtlantic s retail network expansion, consolidate certain back-office facilities and implement other initiatives to reduce non-interest expenses.

As economic conditions deteriorated in late 2007 and 2008, real estate property values continued to decline. The adverse economic and real estate market conditions severely impacted the credit quality of BankAtlantic s loan portfolio. In March 2008, the Parent Company purchased $101.5 million of non-performing loans from BankAtlantic and during the year contributed $65 million of capital to BankAtlantic. During the fourth quarter of 2008, financial and credit markets further experienced rapid

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deterioration, investor confidence in financial institutions was significantly and adversely affected and the market capitalization of BankAtlantic Bancorp s Class A common stock declined materially. As BankAtlantic s non-performing loans increased, additional loan loss reserves were established, impairments of long-lived assets were recognized and earnings were adversely affected. As a consequence of the substantial losses during 2007 and 2008, the deterioration in the price of the Company s Class A common stock and the unprecedented economic and market uncertainty, BankAtlantic recognized a $48.3 million non-cash goodwill impairment charge and established $66.9 million non-cash deferred tax valuation allowance.

During 2009, in response to the continued deteriorating economic conditions including falling real estate collateral values and rising unemployment, and the significant adverse impact on the credit quality of our assets and our results of operations, BankAtlantic reduced its assets, repaid its wholesale borrowings and increased core deposits with a view towards strengthening its liquidity and regulatory capital ratios. However, the credit quality of its loans continued to deteriorate in 2009, and BankAtlantic s losses increased. As a result, BankAtlantic Bancorp, Inc. contributed an additional $105 million of capital to BankAtlantic. Additionally, as a consequence of the adverse economic environment, an additional $22.5 million of restructuring charges and asset impairments were recognized during 2009.

The following table is a condensed income statement summarizing BankAtlantic s results of operations (in thousands):

	For the Years Ended Ended December 31,			Change 2009 vs	Change 2008 vs
	2009	**2008**	**2007**	**2008**	**2007**
Net interest income	$ 163,324	193,648	199,510	(30,324)	(5,862)
Provision for loan losses	(214,244)	(135,383)	(70,842)	(78,861)	(64,541)
Net interest income (loss) after provision for loan losses	(50,920)	58,265	128,668	(109,185)	(70,403)
Non-interest income	129,292	137,308	144,412	(8,016)	(7,104)
Non-interest expense	(258,799)	(330,623)	(313,898)	71,824	(16,725)
BankAtlantic (loss) income before income taxes	(180,427)	(135,050)	(40,818)	(45,377)	(94,232)
Benefit/(provision) for income taxes	31,719	(31,094)	21,378	62,813	(52,472)
BankAtlantic net loss	$ (148,708)	(166,144)	(19,440)	17,436	(146,704)

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BankAtlantic s Net Interest Income

The following table summarizes net interest income:

	For the Years Ended								
	December 31, 2009			December 31, 2008			December 31, 2007		
(Dollars are in thousands) Interest earning assets	**Average Balance**	**Revenue/ Expense**	**Yield/ Rate**	**Average Balance**	**Revenue/ Expense**	**Yield/ Rate**	**Average Balance**	**Revenue/ Expense**	**Yield/ Rate**
Loans: (a)									
Residential real estate	$ 1,758,188	89,836	5.11	2,053,645	111,691	5.44	2,209,832	120,768	5.47
Commercial real estate	1,204,005	46,746	3.88	1,238,307	69,642	5.62	1,367,095	108,931	7.97
Consumer	723,135	21,104	2.92	743,863	33,950	4.56	650,764	47,625	7.32
Commercial business	143,224	7,461	5.21	132,565	9,516	7.18	142,455	12,720	8.93
Small business	316,328	20,010	6.33	320,853	22,162	6.91	298,774	23,954	8.02
Total loans	4,144,880	185,157	4.47	4,489,233	246,961	5.50	4,668,920	313,998	6.73
Tax exempt securities							328,583	19,272	5.87
Taxable investment securities (b)	661,216	37,857	5.73	1,078,189	65,570	6.08	689,263	42,849	6.22
Federal funds sold	14,760	33	0.22	44,031	754	1.71	3,638	195	5.36
Total investment securities	675,976	37,890	5.61	1,122,220	66,324	5.91	1,021,484	62,316	6.10
Total interest earning assets	4,820,856	223,047	4.63	5,611,453	313,285	5.58	5,690,404	376,314	6.61
Total non-interest earning assets	365,257			503,028			510,173		
Total assets	**$ 5,186,113**			**6,114,481**			**6,200,577**		
Interest bearing liabilities									
Deposits:									
Savings	$ 436,169	1,612	0.37	503,464	4,994	0.99	584,542	12,559	2.15
NOW, money funds and checking	1,589,340	9,961	0.63	1,506,479	17,784	1.18	1,450,960	26,031	1.79
Certificate accounts	1,192,012	30,311	2.54	1,088,170	41,485	3.81	992,043	45,886	4.63
Total interest bearing deposits	3,217,521	41,884	1.30	3,098,113	64,263	2.07	3,027,545	84,476	2.79
Securities sold under agreements to repurchase and federal funds purchased	108,248	237	0.22	141,654	2,699	1.91	194,222	9,829	5.06
Advances from FHLB	553,146	16,522	2.99	1,417,718	50,942	3.59	1,379,106	73,256	5.31
Subordinated debentures and notes payable	22,757	1,080	4.75	26,004	1,733	6.66	28,946	2,498	8.63
	3,901,672	59,723	1.53	4,683,489	119,637	2.55	4,629,819	170,059	3.67

Total interest bearing liabilities									
Non-interest bearing liabilities									
Demand deposit and escrow accounts	809,900			828,825			946,356		
Other liabilities	62,343			50,584			55,683		
Total non-interest bearing liabilities	872,243			879,409			1,002,039		
Stockholders equity	412,198			551,583			568,719		
Total liabilities and stockholder s equity	**$ 5,186,113**			**6,114,481**			**6,200,577**		
Net interest income/net interest spread		163,324	3.10%		193,648	3.03%		206,255	2.94%
Tax equivalent adjustment (c)								(6,745)	
Net interest income		163,324			193,648			199,510	
Margin									
Interest income/interest earning assets	%		4.63			5.58			6.61
Interest expense/interest earning assets			1.24			2.13			2.99
Tax equivalent net interest margin	%		3.39			3.45			3.62

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(a) Includes non-accruing loans, and as such, the average yield on loans reflects the impact of these non-interest earning assets.

(b) Average balances were based on amortized cost.

(c) The tax equivalent basis is computed using a 35% tax rate.

For the Year Ended December 31, 2009 Compared to the Same 2008 Period

The decrease in net interest income primarily resulted from a significant reduction in earning assets and an increase in non-performing assets partially offset by an improvement in the net interest spread.

The decline in average earning assets reflects a management decision to slow the origination and purchase of loans, sell agency securities and reduce the purchase of tax certificates in an effort to enhance liquidity and improve regulatory capital ratios. During 2009, BankAtlantic slowed the origination of commercial and consumer loans and ceased the purchase of jumbo residential loan portfolios. BankAtlantic concentrated its loan originations in small business and middle market loans. As a consequence, average loans during 2009 declined by $344.4 million compared to 2008 with $295.5 million of the average loan decline associated with the purchased residential loan portfolio. BankAtlantic experienced significant residential loan repayments due to the large volume of loan refinancings associated with historically low residential mortgage interest rates during 2009. Taxable investment securities primarily consisted of agency mortgage-backed securities and tax certificates. During 2009, BankAtlantic reduced the purchase of tax certificates from $368.4 million during 2008 to $65.7 million during 2009 and sold $284 million of mortgage-backed securities.

The net interest spread improved due to a change in our funding mix. BankAtlantic used the funds from deposit growth and the reduction in assets to repay FHLB advances and short term wholesale borrowings. BankAtlantic repaid $760 million of FHLB advances during 2009 with an average interest rate of 3.37%. As a consequence, BankAtlantic s funding mix changed from higher rate FHLB advances to lower rate deposits. The interest earning asset yield declines were primarily due to lower interest rates during 2009 compared to 2008, changes in the earning asset portfolio mix and a significant increase in non-performing loans. The lower interest rate environment during 2009 compared to 2008 had a significant impact on commercial, small business and consumer loan yields, as a majority of these loans have adjustable interest rates indexed to prime or LIBOR. The average prime interest rate declined from 8.05% at December 31, 2007 to 3.25% at December 31, 2009, and the average three-month LIBOR interest rate declined from 5.30% at December 31, 2007 to 0.69% at December 31, 2009. Additionally, average earning loan yields were adversely affected by a significant increase in non-performing loans. Non-performing loans were $178.6 million at December 31, 2007 compared to $286.1 million at December 31, 2009.

The decline in interest bearing deposit rates reflects the lower interest rate environment and an increase in NOW deposit accounts. The higher NOW accounts reflects a migration of retail time deposits to NOW accounts as we believe the interest rates on NOW accounts were competitive with time deposits for a significant portion of 2009. The increase in certificate accounts reflects higher average brokered deposit account balances during 2009 compared to 2008. Deposits which BankAtlantic receives in connection with its participation in the CDARS program from other participating CDARS institutions are included in BankAtlantic s financial statements as brokered deposits. Average brokered deposits increased from $81.5 million during 2008 to $189.5 million during 2009, of which approximately 45% of average brokered deposits during 2009 consisted of CDARS related deposits.

Management believes that the historically low interest rates during 2009 had a favorable impact on our net interest margin. Conversely, increases in interest rates or continued reductions in earning assets may result in further declines in our net interest margin.

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For the Year Ended December 31, 2008 Compared to the Same 2007 Period

The decrease in tax equivalent net interest income primarily resulted from a 17 basis point decline in the net interest margin and secondarily from a shift in the deposit mix resulting in lower non-interest bearing liabilities balances.

The decline in the tax equivalent net interest margin primarily resulted from a decline in average non-interest bearing demand deposit balances partially offset by an improvement in the tax equivalent net interest spread. The increase in the tax equivalent net interest spread primarily resulted from rates on interest-bearing liabilities adjusting to the decline in short-term interest rates faster than interest-earning asset yields. The majority of our loans adjust to LIBOR or prime interest rates indices. The average prime interest rate declined from 8.05% during the year ended December 31, 2007 to 5.30% during the 2008 year and the average three-month LIBOR rate declined from 5.04% during the 2007 year to 2.92% during the 2008 year. The majority of interest-bearing liabilities adjust to current market rates faster than a significant portion of our assets, which includes residential loans and mortgage-backed securities that only adjust periodically to current market rates. The additional net interest income associated with the improvement of the net interest spread was partially offset by average interest bearing liabilities increasing while average interest-earning assets declined. Average interest earning assets were $79.0 million lower, and while overall average interest-bearing liabilities were $53.7 million higher, non-interest bearing demand deposit accounts were $117.5 million lower. The decline in average non-interest bearing demand deposit accounts reflected the competitive banking environment in Florida during 2008 and the migration of demand deposit accounts to interest-bearing NOW accounts.

Interest income on earning assets declined $63.0 million during 2008 as compared to 2007. The decline was primarily due to the impact that lower interest rates during 2008 had on our average yields for consumer, commercial and small business loans. Residential loan yields during 2008 remained at 2007 levels as the majority of our residential loans do not adjust annually and prepayment speeds slowed, in part we believe, due to borrowers inability to refinance existing loans at the current lower interest rates. The decline in taxable securities yields mainly resulted from the liquidation of our tax exempt securities portfolio during the fourth quarter of 2007 and suspension by the FHLB of its stock dividend during the third quarter of 2008.

In response to the slowing economy and declining real estate market, we slowed the origination of commercial real estate loans and the purchase of residential loans during 2008. As a consequence, average balances in our residential and commercial real estate loan portfolios declined from $3.6 billion during 2007 to $3.3 billion during 2008. These declines in loan balances were partially offset by an increase in our taxable securities, and small business loan and consumer home equity loan average balances. Aggregate average balances in our consumer home equity and small business loan portfolios increased due primarily to funding on existing lines of credit for home equity loans and from the origination of small business loans. The higher average taxable securities balances reflects a $57.5 million increase in tax certificate average balances as 2008 tax certificate acquisitions were higher than 2007 acquisitions.

The decline in deposit rates primarily resulted from the lower interest rate environment during 2008 compared to 2007. The decline in interest rates generally was offset in part by a shift in deposit mix from demand deposit accounts to NOW accounts and from savings to certificate accounts. The decline in savings account average balances reflects outflows of high yield savings accounts as certain competitors offered higher interest rates. The migration from demand deposit accounts to NOW accounts primarily resulted from a high yield checking account that we promoted during 2008. The increase in certificates accounts reflects higher average brokered deposit account balances as well as high yield certificate account promotions during 2008. Brokered deposits increased from $14.7 million at December 31, 2007 to $239.9 million at December 31, 2008.

Rates on wholesale borrowings during 2008 were significantly lower than 2007 reflecting a significant decline in the federal funds rates during 2008. The average federal funds rate declined from 5.04% during 2007 to 2.09% during 2008. Additionally, we were able to borrow at historically low interest rates

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rates due to programs implemented by the Treasury to stimulate the economy through increased funding to financial institutions.

In order to improve the net interest margin and lower borrowing costs in subsequent periods, BankAtlantic prepaid $692 million of FHLB advances during the fourth quarter of 2008. BankAtlantic funded the advance repayments with short term borrowings that were at significantly lower interest rates than the repaid advances.

The following table summarizes the changes in tax equivalent net interest income (in thousands):

	Year Ended December 31, 2009 Compared to Year Ended December 31, 2008			Year Ended December 31, 2008 Compared to Year Ended December 31, 2007		
	Volume (a)	Rate	Total	Volume (a)	Rate	Total
Increase (decrease) due to:						
Loans	$ (15,383)	(46,421)	(61,804)	(9,885)	(57,152)	(67,037)
Tax exempt securities					(19,272)	(19,272)
Taxable investment securities (b)	(23,872)	(3,841)	(27,713)	23,652	(931)	22,721
Federal funds sold	(65)	(656)	(721)	692	(133)	559
Total earning assets	(39,320)	(50,918)	(90,238)	14,459	(77,488)	(63,029)
Deposits:						
Savings	(249)	(3,133)	(3,382)	(804)	(6,761)	(7,565)
NOW, money funds, and checking	519	(8,342)	(7,823)	655	(8,902)	(8,247)
Certificate accounts	2,641	(13,815)	(11,174)	3,665	(8,066)	(4,401)
Total deposits	2,911	(25,290)	(22,379)	3,516	(23,729)	(20,213)
Securities sold under agreements to repurchase	(73)	(2,389)	(2,462)	(1,002)	(6,128)	(7,130)
Advances from FHLB	(25,824)	(8,596)	(34,420)	1,387	(23,701)	(22,314)
Subordinated debentures	(154)	(499)	(653)	(196)	(569)	(765)
	(26,051)	(11,484)	(37,535)	189	(30,398)	(30,209)
Total interest bearing liabilities	(23,140)	(36,774)	(59,914)	3,705	(54,127)	(50,422)
Change in tax equivalent interest income	$ (16,180)	(14,144)	(30,324)	10,754	(23,361)	(12,607)

(a) Changes attributable to rate/volume have been allocated to volume.

(b) Average balances were based on amortized cost.

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The decline in net interest income during 2009 was primarily due to the decline in average earning assets and secondarily due to the decline in average yields on earning assets. Average earning assets declined by $790.6 million, reducing net income by $39.3 million. Average interest-bearing liabilities declined by $781.8 million, reducing interest expense by $23.1 million. The lower yields on total earning assets reduced interest income by $50.9 million while declines in interest rates on total interest bearing liabilities reduced interest expense by $36.8 million. As discussed above, the lower yields on interest earning assets reflect the effect on our loan portfolio interest income of the significant decline during 2009 of LIBOR and prime interest rate indices.

The decline in tax equivalent net interest income during 2008 was largely due to yields on interest earning assets declining faster than interest rates on interest-bearing liabilities. The lower yields on total earning assets reduced interest income by $77.5 million while declines in interest rates on total interest bearing liabilities reduced interest expense by $54.1 million. As discussed above, the lower yields on interest earning assets reflect the effect on our loan portfolio interest income of the significant decline during 2008 of LIBOR and prime interest rate indices. The decline in federal funds rates and the programs implemented by the Treasury to promote lending by financial institutions significantly lowered wholesale borrowing interest rates. However, interest rate declines on our deposits were less than our earning asset yield declines as interest rates on our low cost deposits are not as sensitive to interest rate changes as our loan portfolio rates. Further competition from other financial institutions resulted in only a gradual decline in certificate account interest rates.

BankAtlantic s Asset Quality

Changes in the allowance for loan losses were as follows (in thousands):

	For the Years Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
Balance, beginning of period	$ 125,572	94,020	43,602	41,192	46,010
Charge-offs:					
Commercial business loans	(516)				
Commercial real estate loans	(96,300)	(60,057)	(12,562)	(7,000)	
Small business	(9,105)	(4,886)	(2,554)	(951)	(764)
Consumer loans	(40,223)	(28,942)	(7,065)	(681)	(259)
Residential real estate loans	(23,264)	(4,816)	(461)	(239)	(453)
Continuing loan products	(169,408)	(98,701)	(22,642)	(8,871)	(1,476)
Discontinued loan products	(13)			(34)	(1,218)
Total charge-offs	(169,421)	(98,701)	(22,642)	(8,905)	(2,694)
Recoveries:					
Commercial business loans	492	7	96	291	18
Commercial real estate loans	700		304	419	1,471
Small business	494	428	417	566	899

	For the Years Ended December 31,				
	2009	2008	2007	2006	2005
Consumer loans	561	365	578	536	401
Residential real estate loans	912	397	15	348	65
Continuing loan products	3,159	1,197	1,410	2,160	2,854
Discontinued loan products	34	113	808	581	1,637
Total recoveries	3,193	1,310	2,218	2,741	4,491
Net (charge-offs) recoveries	(166,228)	(97,391)	(20,424)	(6,164)	1,797
Provision for (recovery from) loan losses	214,244	135,383	70,842	8,574	(6,615)
Transfer specific reserves to Parent Company		(6,440)			
Balance, end of period	$ 173,588	125,572	94,020	43,602	41,192

The year-over-year increases in the provision for loan losses and charge-offs for 2007, 2008 and 2009 compared to the prior periods resulted primarily from the rapid decline in real estate values nationally and in Florida, the substantial downturn in the homebuilding industry and the deteriorating economic environment that began in 2007. BankAtlantic has a high concentration of commercial borrowers in the homebuilding industry and the majority of its residential and consumer home equity loans are to retail customers. The ability of these retail customers to repay their loans is adversely affected by rising unemployment rates. In December 2009, the national unemployment rate rose to 10% and the Florida unemployment rate more than doubled from 4.1% at December 31, 2007 to 7.6% at December 31, 2008 to 11.8% at December 31, 2009. Rising national unemployment has resulted in higher delinquencies and foreclosures on residential real estate loans, including the jumbo residential loans which comprise the majority of our residential loan portfolio. We believe rising unemployment and declining property values have resulted in higher credit losses. The declines in the value of real estate, which initially involved primarily residential real estate but are now being experienced in the commercial non-residential real estate markets, have exacerbated our credit losses as the underlying collateral values of our loans have continued to decline throughout the three year period. The recession, falling real estate values and high unemployment are adversely affecting residential and commercial non-residential real estate markets. BankAtlantic believes that its commercial borrowers are experiencing difficulties selling real estate inventory and maintaining current cash flow levels on rental real estate properties. We believe that if real estate and general economic conditions and unemployment trends in Florida do not improve, the credit quality of our loan portfolio will continue to deteriorate and we would expect an increase in loan delinquencies and non-accrual loan balances as well as additional provisions for loan losses in future periods. Additionally, if jumbo residential loan delinquencies and foreclosures continue to increase nationwide, additional provisions for losses in our residential loan portfolio may be required.

We continued to incur losses in our commercial residential real estate and consumer home equity loan portfolios. We also began experiencing higher losses during 2009 in our commercial non-residential, residential and small business loan portfolios as the deteriorating economic environment has adversely impacted these borrowers. In response to these trends, we have significantly reduced purchases of residential loans and tightened consumer home equity loan underwriting requirements for new loans and froze certain borrowers home equity loan commitments where borrowers current credit scores were significantly lower than at the date of loan origination or where current collateral values were substantially lower than at loan origination.

We believe that the increase in charge-offs trends of commercial real estate, consumer home equity and residential loans during the three year period ending December 31, 2009 primarily reflects the significant increase in unemployment and declining real estate values. The significant increase in commercial real estate loan charge-offs primarily resulted from our commercial residential development

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loans and secondarily from our commercial non-residential real estate loans. The majority of the commercial residential development loan charge-offs during 2009 were from updated loan collateral fair value estimates reflecting the continued deterioration in the Florida residential real estate market. We are hopeful that charge-offs and non-performing commercial residential loans may have peaked and may decline in future periods due to significant reductions in outstanding balances from December 2008 to December 2009; however, this may not be the case and there is no assurance that we will not experience the same or higher levels of charge-offs and non-accrual loans in this category. With respect to commercial nonresidential loans we expect that charge-offs in commercial non-residential loans may escalate if market conditions do not improve or deteriorate further. The increasing levels of small business charge-offs during the three year period ended December 31, 2009, we believe, reflects the deteriorating financial condition of our borrowers businesses caused, in part, by reduced consumer spending and the depressed real estate industry.

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At the indicated dates, BankAtlantic s non-performing assets and potential problem loans (contractually past due 90 days or more, performing impaired loans or troubled debt restructured loans) were (in thousands):

	December 31,				
	2009	2008	2007	2006	2005
NONPERFORMING ASSETS					
Tax certificates	$ 2,161	1,441	2,094	632	388
Residential real estate (1)	76,401	34,734	8,678	2,629	5,981
Commercial real estate (2)	167,867	161,947	165,818		340
Commercial business	18,063				
Small business	9,338	4,644	877	244	9
Consumer	14,451	6,763	3,218	1,563	471
Total non-accrual assets (3)	288,281	209,529	180,685	5,068	7,189
Residential real estate owned	9,607	2,285	413	617	86
Commercial real estate owned	25,442	16,500	16,763	21,130	881
Small business real estate owned	580	260			