BANKATLANTIC BANCORP INC
Form 10-K
March 31, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Year Ended December 31, 2010

[ ] 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,	**New York Stock Exchange**

Par Value $0.01 Per Share
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 [ ] NO [X]

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 [ ] NO [X]

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 [X] NO [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [ ] No [ ]

Indicate by check mark 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. [ ]

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 [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

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

YES [ ] NO [X]

The aggregate market value of the voting common equity held by non-affiliates was $41.2 million, computed by reference to the closing price of the registrant s Class A Common Stock on June 30, 2010. 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 14, 2011 was 63,164,221. The number of shares of the registrant s Class B Common Stock outstanding on March 14, 2011 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.

PART I

ITEM I. BUSINESS

BankAtlantic Bancorp, Inc. and its subsidiaries may also be referred to as the Company we, us, or our in this document. The principal assets of the Company consist of its ownership in BankAtlantic, a federal savings bank headquartered in Fort Lauderdale, Florida, and its subsidiaries (BankAtlantic). We report our operations through two business segments consisting of BankAtlantic and BankAtlantic Bancorp, (also referred to as the Parent Company).

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 the Company 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, continued decreases in real estate values, and increased unemployment or sustained high unemployment rates on our business generally, our regulatory capital ratios, the ability of our borrowers to service their obligations and of our customers to maintain account balances and the value of collateral securing our loans; 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 Parent 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 risks of additional charge-offs, impairments and required increases in our allowance for loan losses associated with the economy; the impact of regulatory proceedings and litigation regarding overdraft fees; risks associated with maintaining compliance with the Cease and Desist Orders entered into by BankAtlantic and the Parent Company, including risks that compliance will adversely impact operations, risks associated with failing to comply with regulatory mandates and the risk of imposition of additional regulatory requirements and/or fines; the uncertain impact of legal proceedings on our financial condition or operations including the risk that the securities class action litigation verdict may not be overturned on appeal; 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; 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 and our ability to raise capital; the sale of our Tampa branches may not be completed as announced or at all and may not have the positive financial impact currently anticipated; our expense reduction initiatives may not be successful and additional cost savings may not be achieved; we may raise additional capital and such capital may be highly dilutive to the Company s shareholders or may not be available and, depending on the number of shares issued, the Company s ability to use its net operating loss carryforwards against taxable income may be limited; and the risks associated with the impact of periodic valuation testing of goodwill, deferred tax assets and other assets. Past performance and perceived trends may not be indicative of future results. 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. Detailed operating financial information by segment is included in note 28 to the Company s consolidated financial statements.

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, 2010 we had total consolidated assets of approximately $4.5 billion and stockholders equity of approximately $14.7 million.

Recent Developments

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

BankAtlantic is required to attain by June 30, 2011 and maintain a tier 1 (core) capital ratio equal to or greater than 8% and a total risk-based capital ratio equal to or greater than 14%. At December 31, 2010, BankAtlantic had a tier 1 (core) capital ratio of 6.22% and a total risk-based capital ratio of 11.72%. The Parent Company and BankAtlantic will seek to meet the higher capital requirements through the expected net gain upon consummation of its Tampa branch sale anticipated to close June 2011 (subject to regulatory approvals and customary conditions) and through other efforts that may include the issuance of its Class A Common Stock through a public or private offering. Based on asset reductions associated with the Tampa branch sale and deposit levels as of December 31, 2010, BankAtlantic estimates that the Tampa transaction will add over 130 basis points (1.30%) to its regulatory capital ratios. While BankAtlantic is taking steps to achieve the capital ratios set forth in the Bank Order by June 30, 2011, such ratios may not be attained by that date or at all.

BankAtlantic is also required to, among other things, revise certain of its plans, programs and policies and submit to the OTS certain written plans, including a capital plan, a contingency plan (only in the event it fails to timely attain and maintain the increased capital ratio requirements), a revised business plan and a plan to reduce BankAtlantic s delinquent loans and non-performing and other problem assets. In addition, the Bank Order requires BankAtlantic to limit its asset growth and restricts BankAtlantic from originating or purchasing new commercial real estate loans or entering into certain material agreements, in each case without receiving the prior written non-objection of the OTS. Separately, the OTS has confirmed that it has no objection to the origination of new loans to facilitate the sale of certain assets, the renewal, extension, modification of existing commercial real estate loans or the funding on existing commitments of commercial real estate loans, subject in each case to compliance with applicable regulations and BankAtlantic s policies. The Bank Order also imposes restrictions on BankAtlantic s ability to pay dividends and other distributions.

The Orders also include certain restrictions on compensation paid to the senior executive officers of the Company and BankAtlantic, and restrictions on agreements with affiliates. The Orders became effective on February 23, 2011 and will remain in effect until terminated, modified or suspended by the OTS.

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 branches 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. In January 2011, BankAtlantic entered into a purchase and assumption agreement with PNC Financial Services Group Inc. (PNC) to sell its Tampa branches and related facilities in order to concentrate its efforts on its core markets in southeast Florida. The transaction, which is subject to regulatory approvals and other customary closing conditions, is anticipated to close in June 2011.

BankAtlantic s primary business activities include:

- attracting checking and savings deposits from individuals and business customers,
- originating commercial non-mortgage, consumer and small business loans,
- holding and actively managing its commercial real estate loan portfolio,
- purchasing wholesale residential loans, and
- purchasing investments including primarily mortgage-backed and municipal 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 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 $2.8 billion as of December 31, 2010. Additionally, while the increase in core deposits during 2009 and 2010 may reflect, in part, favorable market conditions generally, we believe that the implementation of new strategies in 2008 further extend our visibility in the market and increased customer loyalty and contributed significantly to the increase in core deposit balances.

Over the past three years, management has implemented initiatives with a view to managing capital in the current adverse economic environment. These initiatives primarily included reducing risk-based asset levels through loan and securities repayments in the ordinary course, reducing total assets, eliminating cash dividends to the Parent Company and reducing expenses. These initiatives, while important to maintaining capital ratios, have also had the effect of negatively impacting results from operations as the reduction in asset levels resulted in a reduction of earning assets adversely impacting our net interest income. BankAtlantic s regulatory capital ratios have also been enhanced through capital contributions from the Parent Company. During the years ended December 31, 2010, 2009 and 2008, the Parent Company contributed capital of $28 million, $105 million and $65 million, respectively, to BankAtlantic. As a result of the contributions and BankAtlantic s core operations, BankAtlantic was able to maintain the following capital ratios over the past three years:

		For the Years Ended December 31,		
		2010	**2009**	**2008**
Total risk-based capital	%	11.72	12.56	11.63
Tier 1 risk-based capital	%	9.68	10.63	9.80
Tier 1/core capital	%	6.22	7.58	6.80

As described in Recent Developments, BankAtlantic will be required pursuant to the Bank Order to maintain a core capital ratio of 8% and a total risk based capital ratio of 14% as of June 30, 2011. BankAtlantic s regulatory capital requirements were raised based on the determination by the OTS that BankAtlantic had inadequate capital given its level of criticized assets and its concentration of high risk commercial real estate and construction loans as well as excessive losses over the past three years.

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 BankAtlantic s loan portfolio. BankAtlantic s non-performing assets increased from $197.9 million at December 31, 2007 to $438.9 million at December 31, 2010. 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;
- Ceased originating land and residential acquisition, development and construction loans;
- Substantially reduced home equity loan originations through underwriting requirements based on lower loan to value ratios;
- Froze certain home equity loan unused lines of credit based on declines in borrower credit scores or the market value of loan collateral; and
- Transferred certain non-performing commercial real estate loans to the Parent Company in March 2008 in exchange for $94.8 million.

BankAtlantic continued initiatives to decrease operating expenses during 2010. These initiatives included, among others, lowering advertising and marketing expenditures, reducing store and call center hours, consolidating back-office operations and staffing levels, and renegotiating vendor contracts. During 2011, management intends to seek additional efficiencies through the sale of its Tampa branches. 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 and reduce its concentration on commercial real estate and construction loans, BankAtlantic s loan originations during 2010 were focused on small business and commercial non-mortgage loans originated through its retail and lending networks. BankAtlantic anticipates that it will continue to emphasize small business and commercial non-real estate lending and that the percentage represented by its commercial real estate and residential mortgage loan portfolio balances will decline during 2011, through the scheduled repayment of existing loans and the fact that BankAtlantic is generally not originating new commercial real estate loans.

Loan products

BankAtlantic offers a number of lending products. Historically, primary lending products have included residential loans, commercial real estate loans, consumer loans, and small business and commercial non-mortgage loans.

Residential: BankAtlantic purchases 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 primarily to the size of the individual loans (jumbo loans). Some of the 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 or when required amortization of the principal amount commences. These payment increases could affect a borrower s ability to repay the loan and result in increased defaults and losses. At December 31, 2010, BankAtlantic s residential loan portfolio included $550.2 million of interest-only loans, $52.1 million of which will become fully amortizing and have interest rates reset in 2011. The credit scores and loan-to-value ratios for interest-only loans are similar to those of amortizing loans. BankAtlantic sought to manage the credit risk associated with these loans by limiting purchases of interest-only loans to those originated to borrowers that it believed to be credit worthy and with loan-to-value and total debt to income ratios within agency guidelines. BankAtlantic did 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 purchased $9.9 million and $6.5 million of these loans during 2010 and 2009, respectively.

BankAtlantic 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 provided 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 provided loans to acquire or refinance existing income-producing properties. These loans were primarily secured by property located in Florida. Commercial real estate loans were generally originated in amounts based upon the appraised value of the collateral or estimated cost to construct, generally had a loan-to value ratio at the time of origination of less than 80%, and generally required that one or more of the principals of the borrowing entity guaranteed these loans. Most of these loans have variable interest rates and are indexed to either prime or LIBOR rates. Due to high concentrations of commercial real estate and construction loans in BankAtlantic s loan portfolio, BankAtlantic ceased the origination of commercial real estate loans during the year ended December 31, 2010. Additionally, pursuant to the Bank Order, BankAtlantic has agreed to cease the purchase or origination of new commercial real estate loans unless it receives the prior written non-objection of the OTS Regional Director. However, BankAtlantic may originate new loans to facilitate the sale of nonperforming assets or criticized assets and. fund commercial real estate loan commitments entered into before November 1, 2010, make protective advances for taxes and insurance, renew, extend or modify existing commercial real estate loans, provided that such funding complies with regulatory underwriting guidelines and BankAtlantic s lending policies.

BankAtlantic s commercial real estate loan portfolio is divided into four loan classes; commercial residential, commercial owner occupied, commercial land, and commercial other.

Commercial residential real estate loans have resulted in significant losses to BankAtlantic. This class of loans is divided into three categories - 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, the borrowers may not be in a position to service the loans, with the likely result being an increase in 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 were guaranteed by the borrower or individuals so it was expected that the borrower would 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.

Commercial real estate owner occupied loans are also real estate collateralized loans; however, the primary source of repayment is the cash flow from the business operated on the premises of the collateralized property.

Commercial real estate land loans include loans secured by the sale of land and commercial land held for investment purposes. These loans are generally to borrowers that intend to expand the zoning of the property and ultimately sell the property to developers. These loans are considered higher risk than owner occupied or loans with income producing collateral as the repayment of the loan is dependent on the sale of the collateral or the financial strength of the borrower or guarantors.

Commercial other real estate loans are primarily secured by income producing property which includes shopping centers, office buildings, self storage facilities, and warehouses.

BankAtlantic has sold participations in certain commercial real estate loans that it originated. BankAtlantic administers the loans 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.

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 non-mortgage loans.

Commercial non-mortgage loans: These loans are generally business loans secured by the receivables, inventory, equipment, 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.

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, substantially all of which is located in Florida. Approximately 26% 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 the past three years, BankAtlantic experienced higher than historical losses in this portfolio as a result of deteriorating economic conditions in Florida. 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.

Small Business: BankAtlantic originates small business loans to companies located primarily in markets within BankAtlantic s branch network. Small business loans are primarily originated on a secured basis and do not generally exceed $2.0 million. These loans are generally originated with maturities ranging from one to three years or are due upon demand. 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,									
	2010		2009		2008		2007		2006	
	Amount	**Pct**	**Amount**	**Pct**	**Amount**	**Pct**	**Amount**	**Pct**	**Amount**	**Pct**
Loans receivable:										
Real estate loans:										
Residential	$ 1,222	40.31	1,550	42.35	1,930	45.34	2,156	47.66	2,151	46.81
Consumer - home equity	604	19.92	670	18.31	719	16.89	676	14.94	562	12.23
Construction and development	145	4.78	223	6.09	301	7.07	416	9.20	475	10.34
Commercial	744	24.54	897	24.51	930	21.85	882	19.49	973	21.17
Small business	203	6.70	213	5.82	219	5.14	212	4.69	187	4.07
Other loans:										
Commercial non-mortgage	134	4.42	154	4.21	143	3.36	131	2.9	157	3.42
Small business non-mortgage	99	3.26	99	2.70	108	2.54	106	2.34	98	2.13
Consumer	19	0.63	21	0.57	26	0.61	31	0.68	26	0.57
Loans held for sale	21	0.69	4	0.11	3	0.07	4	0.09	9	0.20
Total	3,191	105.26	3,831	104.67	4,379	102.87	4,614	101.99	4,638	100.94
Adjustments:										
Unearned discounts (premiums)	(2)	(0.06)	(3)	(0.08)	(3)	(0.07)	(4)	(0.09)	(1)	(0.02)
Allowance for loan losses	161	5.31	174	4.75	125	2.94	94	2.08	44	0.96
Total loans receivable, net	$ 3,032	100.00	3,660	100.00	4,257	100.00	4,524	100.00	4,595	100.00

At March 31, 2008, BankAtlantic transferred $101.5 million of non-performing commercial loans to a subsidiary of the Parent Company and the loans are not reported on the above table as of December 31, 2010, 2009 and 2008.

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

	As of December 31,			
	2010	**2009**	**2008**	**2007**
Builder land bank loans	$ 10	44	62	150
Land acquisition and development loans	119	172	210	245
Land acquisition, development and construction loans	4	11	32	108
Total commercial residential loans	$ 133	227	304	503

Investments

Securities available for sale: BankAtlantic invests in obligations of, or securities guaranteed by the U.S. government or its agencies. These include mortgage-backed securities and real estate mortgage investment conduits (REMICs). BankAtlantic s securities available for sale portfolio at December 31, 2010 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. During 2010, BankAtlantic began investing in municipal and agency securities that mature in less than two years. These short-term investments carried higher yields than alternative short-term investments. 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 and 2010, BankAtlantic purchased tax certificates primarily in Florida and expects that the majority of tax certificates it acquires in 2011 will be in Florida.

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	Treasury and Agencies	Tax-Exempt Securities	Taxable Securities	Mortgage-Backed Securities	Corporate Bond and Other	Total	Weighted Average Yield
December 31, 2010								
Maturity: (1)								
One year or less	$ 34,725	-	160,395	19,922	-	-	215,042	1.70%
After one through five years	56,013	60,143	1,728	-	216	-	118,100	3.24
After five through ten years	-	-		-	24,406	-	24,406	3.64
After ten years	-	-		-	156,261	-	156,261	2.57
Fair values (2)	$ 90,738	60,143	162,123	19,922	180,883	-	513,809	2.41%
Amortized cost (2)	$ 89,789	60,000	162,113	19,936	171,253		503,091	3.37%
Weighted average yield based on fair values	5.46	5.66	0.95	1.32	3.41	-	2.41	
Weighted average maturity (yrs)	2.1	2.7	0.50	0.53	20.58	-	7.88	
December 31, 2009								
Fair values (2)	$ 112,472	-	-	-	319,292	250	432,014	4.00%
Amortized cost (2)	$ 110,991	-	-	-	307,314	250	418,555	5.35%
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%

(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, $1.5 million and $3.6 million and a fair value of $1.5 million, $1.5 million and $4.1 million, at December 31, 2010, 2009 and 2008, respectively, were excluded from the above table. At December 31, 2010, equities held by BankAtlantic with a cost of $1.3 million and a fair value of $1.3 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 securities available for sale follows (in thousands):

	December 31, 2010 (1)			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Tax certificates:				
Cost equals market	$ 89,789	949	-	90,738
Securities available for sale:				
Investment securities:				
Cost equals market	-	-	-	-
Market over cost	76,436	41	-	76,477
Cost over market	105,613	-	(45)	105,568
Mortgage-backed securities :				
Cost equals market	-	-	-	-
Market over cost	231,253	9,773	-	241,026
Cost over market	-	-	-	-
Total	$ 503,091	10,763	(45)	513,809

(1) The above table excludes equity securities held by the Parent Company with a cost and fair value of $1.5 million at December 31, 2010 and equities held by BankAtlantic with a cost and fair value of $1.3 million at December 31, 2010.

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 municipalities. BankAtlantic solicited deposits from customers in its geographic market through marketing and relationship banking activities primarily conducted through its sales force and store network. BankAtlantic primarily solicited deposits at its branches (or stores) through its Florida s Most Convenient Bank initiative and more recently through its relationship marketing strategy. The Dodd-Frank Wall Street Reform and Consumer Protection Act permanently raised the maximum standard deposit insurance to $250,000 per depositor and the Act provides full deposit insurance coverage on non-interest bearing deposit accounts until January 1, 2013. See note 14 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, consumer home equity loans and securities. In addition, BankAtlantic must maintain certain levels of FHLB stock based upon outstanding advances. See note 15 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s FHLB Advances.

Other Short-Term Borrowings: BankAtlantic s short-term borrowings generally consist of securities sold under agreements to repurchase and 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 Federal Deposit Insurance Corporation (FDIC). See note 16 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 17 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 mortgage-backed bond and subordinated debentures. See note 18 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s other borrowings.

Parent Company

The Parent Company s 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 pursuant to which BankAtlantic services 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, real estate advisory services 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 of 2009 and 2010 and during the first quarter of 2011, 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 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.

The Parent Company had the following cash and investments as of December 31, 2010 (in thousands). We may not receive proceeds equal to the estimated fair value upon the liquidation of the private investment securities.

	As of December 31, 2010		
(in thousands)	Carrying Value	Gross Unrealized Depreciation	Estimated Fair Value
Cash and cash equivalents	$ 12,226	-	12,226
Securities available for sale	10	2	8
Private investment securities	1,500	-	1,500
Total	$ 13,736	2	13,734

The Parent Company s work-out subsidiary had the following loans and real estate owned as of December 31, 2010:

(in millions)	Amount
Commercial residential real estate loans	$ 10
Commercial other	7
Total commercial loans	17
Real estate owned	10
Total loans and real estate owned	$ 27

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, 2010		December 31, 2009	
	Full-Time	Part-time	Full-time	Part-time
BankAtlantic Bancorp	8	-	6	-
BankAtlantic	1,202	162	1,426	212
Total	1,210	162	1,432	212

Competition

The banking and financial services industry is very competitive and is in a transition period. The financial services industry continues to experience a severe downturn and increased competition in the marketplace. We expect continued consolidation in the financial services industry, creating larger financial institutions. Our primary method of competition is emphasis on relationship banking, customer service and convenience.

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.

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 of Federal Savings Associations

Holding Company

We are a unitary savings and loan holding company within the meaning of the Home Owners Loan Act (HOLA), as amended. As such, we are registered with the Office of Thrift Supervision (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 association. Recent changes in the law will, during 2011, shift principal regulatory jurisdiction over the Company to the Federal Reserve. Management is in the process of evaluating the potential practical implications of this shift in regulatory jurisdiction, such as possible changes in how the Company s regulators will examine the Company and what new or different standards they may apply to the Company. As a result of this shift, we expect that the Parent Company will at some point be subject to minimum capital ratios for the first time. To date, the Company s regulators have not announced specifics about the change in regulatory jurisdiction in enough detail that would allow management to understand what the consequences of the shift will be.

HOLA prohibits a savings and loan 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 Associations - BankAtlantic 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 Associations BankAtlantic Transactions with Related Parties and the Bank Order. 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 Associations BankAtlantic Limitation on Capital Distributions and the Bank Order. See note 2 to the Notes to Consolidated Financial Statements .

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 (DIF), 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 association 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.

Recent changes in law will shift principal regulatory jurisdiction over thrift institutions, including BankAtlantic, from the OTS to the Office of the Comptroller of the Currency (the OCC) during 2011. We are in the process of evaluating the potential implications of this shift in regulatory jurisdiction, such as possible changes in how BankAtlantic s regulators will examine it and what new or different standards they may apply to BankAtlantic. Because BankAtlantic does not have plans to convert to a national bank, we currently believe the existing OTS regulations will initially continue to apply to BankAtlantic, although the OCC may decide to modify these regulations.

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.

The Dodd-Frank Act

On July 21, 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act is expected to have a broad impact on the financial services industry, imposing significant regulatory and compliance changes, including the designation of certain financial companies as systemically significant, the imposition of increased capital, leverage, and liquidity requirements, and numerous other provisions designed to improve supervision and oversight of, and strengthen the safety and soundness within, the financial services sector. Additionally, the Dodd-Frank Act establishes a new framework of authority to conduct systemic risk oversight within the financial system to be distributed among new and existing federal regulatory agencies, including the Financial Stability Oversight Council, or Council, the Federal Reserve, the OCC, and the FDIC. Of particular relevance to the Company, the Dodd-Frank Act makes fundamental changes to the federal supervisory oversight structure for federal thrifts and savings and loan holding companies.

The following items provide a brief description of certain provisions of the Dodd-Frank Act.

Principal changes for federal thrifts and savings and loan holding companies. The Dodd-Frank Act preserves the charter for federal thrifts, but will eliminate the OTS as the primary federal regulator for federal thrifts and savings and loan holding companies. The OTS will be abolished by April 2012 and its functions and personnel distributed among the OCC, FDIC, and the Federal Reserve. Primary jurisdiction for the supervision and regulation of federal thrifts, including BankAtlantic, will be transferred to the OCC; supervision and regulation of savings and loan holding companies, including the Company, will be transferred to the Federal Reserve. Although the Dodd-Frank Act maintains the federal thrift charter, it eliminates certain benefits of the charter and imposes new penalties for failure to comply with the QTL test. Under the Dodd-Frank Act, risk-based and leverage capital standards currently applicable to U.S. insured depository institutions will be imposed on U.S. bank holding companies and savings and loan holding companies, and depository institutions and their holding companies will be subject to minimum risk-based and leverage capital requirements on a consolidated basis. In addition, the Dodd-Frank

Act requires that savings and loan holding companies be well-capitalized and well managed in the same manner as bank holding companies in order to engage in the expanded financial activities permissible only for a financial holding company.

Source of strength. The Dodd-Frank Act requires all companies, including savings and loan holding companies, that directly or indirectly control an insured depository institution to serve as a source of strength for the institution. Under this requirement, the Company in the future could be required to provide financial assistance to BankAtlantic should BankAtlantic experience financial distress.

Limitation on federal preemption. The Dodd-Frank Act significantly reduces the ability of national banks and federal thrifts to rely upon federal preemption of state consumer financial laws. Although the OCC, as the new primary regulator of federal thrifts, will have the ability to make preemption determinations where certain conditions are met, the broad rollback of federal preemption has the potential to create a patchwork of federal and state compliance obligations. This could, in turn, result in significant new regulatory requirements applicable to us, potentially significant changes in our operations and increases in our compliance costs. It could also result in uncertainty concerning compliance, with attendant regulatory and litigation risks.

Mortgage loan origination and risk retention. The Dodd-Frank Act contains additional regulatory requirements that may affect our operations and result in increased compliance costs. For example, the Dodd-Frank Act imposes new standards for mortgage loan originations on all lenders, including banks and thrifts, in an effort to require steps to verify a borrower s ability to repay. In addition, the Dodd-Frank Act generally requires lenders or securitizers to retain an economic interest in the credit risk relating to loans the lender sells or mortgage and other asset-backed securities that the securitizer issues. The risk retention requirement generally will be 5%, but could be increased or decreased by regulation.

Imposition of restrictions on certain activities. The Dodd-Frank Act requires new regulations for the over-the-counter derivatives market, including requirements for clearing, exchange trading, capital, margin, and reporting. Additionally, the Dodd-Frank Act requires that certain swaps and derivatives activities be pushed out of insured depository institutions and conducted in non-bank affiliates, significantly restricts the ability of a member of a depository institution holding company group to invest in or sponsor certain private funds, and broadly restricts such entities from engaging in proprietary trading, subject to limited exemptions. These restrictions may affect our ability to manage certain risks in our business.

Expanded FDIC resolution authority. While insured depository institutions are currently subject to the FDIC s resolution process, the Dodd-Frank Act creates a new mechanism for the FDIC to conduct the orderly liquidation of certain covered financial companies, including bank and thrift holding companies and systemically significant non-bank financial companies. Upon certain findings being made, the FDIC may be appointed receiver for a covered financial company, and would be tasked with conducting an orderly liquidation of the entity. The FDIC liquidation process is modeled on the existing Federal Deposit Insurance Act, or FDI Act, bank resolution regulations, and generally gives the FDIC more discretion than in the traditional bankruptcy context.

Consumer Financial Protection Bureau (CFPB). The Dodd-Frank Act creates a new independent CFPB within the Federal Reserve. The CFPB is tasked with establishing and implementing rules and regulations under certain federal consumer protection laws with respect to the conduct of providers of certain consumer financial products and services. The CFPB has rulemaking authority over many of the statutes governing products and services offered to bank and thrift consumers. For banking organizations with assets of $10 billion or more, the CFPB has exclusive rule making and examination, and primary enforcement authority under federal consumer financial law. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB. Compliance with any such new regulations would increase our cost of operations.

Deposit insurance. The Dodd-Frank Act makes permanent the general $250,000 deposit insurance limit for insured deposits. The Dodd-Frank Act also extends until January 1, 2013, federal deposit coverage for the full net amount held by depositors in non-interest bearing transaction accounts. Amendments to the FDI Act also revise the assessment base against which an insured depository institution s deposit insurance premiums paid to DIF will be calculated. Under the amendments, the assessment base will no longer be the institution s deposit base, but rather its average consolidated total assets less its average tangible equity. Additionally, the Dodd-Frank Act makes changes to the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15 percent to 1.35 percent of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. Several of these provisions could increase the FDIC deposit insurance premiums paid by BankAtlantic.

Transactions with affiliates and insiders. The Dodd-Frank Act generally enhances the restrictions on transactions with affiliates under Section 23A and 23B of the Federal Reserve Act, including an expansion of the definition of covered transactions and an increase in the amount of time for which collateral requirements regarding covered credit transactions must be satisfied. Insider transaction limitations are expanded through the strengthening of loan restrictions to insiders and the expansion of the types of transactions subject to the various limits, including derivatives transactions, repurchase agreements, reverse repurchase agreements and securities lending or borrowing transactions. Restrictions are also placed on certain asset sales to and from an insider to an institution, including requirements that such sales be on market terms and, in certain circumstances, approved by the institution s board of directors.

Enhanced lending limits. The Dodd-Frank Act strengthens the existing limits on a depository institution s credit exposure to one borrower. Federal banking law currently limits a federal thrift s ability to extend credit to one person (or group of related persons) in an amount exceeding certain thresholds. The Dodd-Frank Act expands the scope of these restrictions to include credit exposure arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions.

Corporate governance. The Dodd-Frank Act addresses many investor protection, corporate governance and executive compensation matters that will affect most U.S. publicly traded companies, including the Company. The Dodd-Frank Act (1) grants stockholders of U.S. publicly traded companies an advisory vote on executive compensation; (2) enhances independence requirements for compensation committee members; (3) requires companies listed on national securities exchanges to adopt incentive-based compensation clawback policies for executive officers; and (4) provides the SEC with authority to adopt proxy access rules that would allow stockholders of publicly traded companies to nominate candidates for election as directors and to have those nominees included in a company s proxy materials.

Many of the requirements of the Dodd-Frank Act will be implemented over time and most will be subject to regulations implemented over the course of several years. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies and through regulations, the full extent of the impact such requirements will have on our operations is uncertain. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to our business practices, impose more stringent capital, liquidity and leverage requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements may negatively impact our results of operations and financial condition.

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 associations 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 association 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 association 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 association 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 association 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, 2010, BankAtlantic s limit on loans to one borrower was approximately $57.0 million. At December 31, 2010, BankAtlantic s largest aggregate amount of loans to one borrower was approximately $35.6 million and the second largest borrower had an aggregate balance of approximately $32.1 million.

QTL Test. HOLA requires a savings association 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 association that fails the QTL test must either operate under certain restrictions on its activities or convert to a bank charter. The Dodd-Frank Act imposes additional restrictions on the ability of any savings association that fails to become or remain a QTL to pay dividends. Specifically, the savings association is not only subject to the general dividend restrictions as would apply to a national bank (as under prior law), but also is prohibited from paying dividends at all (regardless of financial condition) unless required to meet the obligations of a company that controls the thrift, permissible for a national bank and specifically approved by the OCC and the Federal Reserve. In addition, violations of the QTL test now are treated as violations of federal banking laws subject to enforcement action. At December 31, 2010, BankAtlantic maintained approximately 73% of its portfolio assets in qualified thrift investments. BankAtlantic had also satisfied the QTL test in each of the nine months prior to December 2010 and, therefore, was a QTL.

Capital Requirements. OTS regulations generally require savings associations to meet three minimum capital standards:

- a tangible capital requirement for savings associations to have tangible capital in an amount equal to at least 1.5% of adjusted total assets;
- a leverage ratio requirement:
  - for savings associations 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 associations assigned any other composite rating, to have tier 1 or 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 association; and

a risk-based capital requirement for savings associations to have total (Tier 1 and Tier 2) 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 association 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.

See note 21 to the Notes to the Consolidated Financial Statements for actual capital amounts and ratios and a discussion of the increased capital ratios required by the Bank Order.

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 associations that are applicable to BankAtlantic. As a result of the Dodd-Frank Act, risk-based and leverage capital standards currently applicable to U.S. insured depository institutions and U.S. bank holding companies will in the future become applicable to savings and loan holding companies such as the Parent Company. The Dodd-Frank Act generally authorizes the Federal Reserve to promulgate capital requirements for savings and loan holding companies.

Limitation on Capital Distributions. The OTS regulations impose limitations upon certain capital distributions by savings associations, 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.

Regulations restrict the payment of dividends by financial institutions 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 financial institution was notified by regulators that it was in need of more than normal supervision. Under the FDI Act, 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. Additionally, the Dodd-Frank Act imposes additional restrictions on the ability of any savings association that fails to become or remain a QTL to pay dividends. The Bank Order and the Company Order currently prohibits BankAtlantic from paying dividends or other capital distributions without the prior written non-objection of the Regional Director of the OTS.

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 associations and their affiliates, processing applications and other filings, and covering direct and indirect expenses in regulating savings associations and their affiliates. These assessments are based on three components:

the size of the savings association, on which the basic assessment is based;

the savings association s supervisory condition, which results in an additional assessment based on a percentage of the basic assessment for any savings association with a composite rating of 3, 4 or 5 in its most recent safety and soundness examination; and

the complexity of the savings association s operations, which results in an additional assessment based on a percentage of the basic assessment for any savings association 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. During the year ended December 31, 2010, assessment expense was approximately $1.3 million. The Dodd-Frank Act provides various agencies with the authority to assess additional supervision fees.

Branching. Subject to certain limitations, HOLA and OTS regulations permit federally chartered savings associations to establish branches in any state or territory of the United States. Pursuant to the Bank Order, BankAtlantic must limit its asset growth unless it receives the prior written non-objection of the OTS.

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-compliance. The CRA requires a 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. BankAtlantic s authority to engage in transactions with affiliates is further limited under the Bank Order. The applicable OTS regulations for savings associations 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 association is any company that controls, is controlled by, or is under common control with, the savings association, other than the savings association s subsidiaries. For instance, we are deemed an affiliate of BankAtlantic under these regulations.

Generally, Section 23A limits the extent to which a savings association may engage in covered transactions with any one affiliate to an amount equal to 10% of the savings association 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 association 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 association, as those prevailing at the time for transactions with or involving non-affiliates. Additionally, under OTS regulations, a savings association 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 the Company to their executive officers, directors, controlling shareholders and their related interests. The applicable OTS regulations for savings associations regarding loans by a savings association to its executive officers, directors and principal shareholders generally conform to the requirements of Regulation O, which is applicable to national banks. The Dodd-Frank Act generally enhances the restrictions on transactions with affiliates under Section 23A and Section 23B of the Federal Reserve Act, including an expansion of the definition of covered transactions and an increase in the amount of time for which collateral requirements regarding covered transactions must be satisfied. The ability of the Federal Reserve to grant exemptions from these restrictions is also narrowed by the Dodd-Frank Act, including by requiring coordination with other bank regulators.

Enforcement. Under the FDI Act, the OTS has primary enforcement responsibility over savings associations 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 association 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. As previously disclosed BankAtlantic and the Parent Company have entered into the Bank Order and the Company Order, respectively. Pursuant to the Orders, BankAtlantic and the Parent Company have committed to the OTS that no new arrangements may be entered into with affiliates without required regulatory notice.

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 FDI Act, the OTS, together with the other federal bank regulatory agencies, has adopted the Interagency Guidelines Establishing Standards for Safety and Soundness, (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 association fails to meet any standard established by the Guidelines, then the OTS may require the savings association to submit to the OTS an acceptable plan to achieve compliance.

If a savings association 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 OCC. 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. OTS regulations require each savings association 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 association and the nature and scope of its real estate lending activities.

Prompt Corrective Regulatory Action. Under the OTS Prompt Corrective Action (PCA) Regulations, the OTS is required to take certain, and is authorized to take other, supervisory actions against undercapitalized savings associations, 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 association s capital deteriorates. Under PCA regulations, savings associations are classified into five categories of capitalization as well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Generally, a savings association 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.

BankAtlantic s regulatory capital amounts and ratios met the OTS well capitalized category during the year ended December 31, 2010. However, the Bank Order requires that BankAtlantic maintain capital ratios that exceed the PCA well capitalized amounts and ratios. For a discussion on required capital ratios and amounts pursuant to the Bank Order, see Note 2 to the Notes to Consolidated Financial Statements.

By January 2012, the OCC will assume the OTS powers with respect to federal savings associations (like BankAtlantic), as well as rulemaking authority over all savings associations (except for the limited rulemaking authority transferred to the Federal Reserve). Although the federal banking agencies have substantially similar capital adequacy standards and utilize the same accounting standards, some differences in capital standards exist, such as the regulatory treatment of noncumulative perpetual preferred stock and the risk-weightings assigned to certain assets.

OTS regulations do not require savings and loan holding companies, such as the Company, to maintain specific minimum capital ratios. As a result of the Dodd-Frank Act, risk-based and leverage capital standards currently applicable to U.S. insured depository institutions and U.S. bank holding companies will in the future become applicable to savings and loan holding companies such as the Company. The Dodd-Frank Act generally authorizes the Federal Reserve to promulgate capital requirements for savings and loan holding companies.

In addition, the Dodd-Frank Act requires the federal banking agencies to adopt capital requirements which address the risks that the activities of an institution poses to the institution and public and private stakeholders. The federal banking agencies may change existing capital guidelines or adopt new capital guidelines in the future pursuant to the Dodd-Frank Act or other regulatory or supervisory changes.

Insurance of Deposit Accounts. Savings associations 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, the 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. The Dodd-Frank Act makes permanent the $250,000 insurance limit for insured deposits. Also as a result of the Dodd-Frank Act, unlimited coverage for non-interest bearing demand transaction accounts will be provided until January 1, 2013.

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. The Dodd-Frank Act changes the way an insured depository institution s deposit insurance premiums are calculated. Because the new base assessment under the Dodd-Frank Act is larger than the current insurance base assessment, the proposed assessment rates are lower than the current rates. The insurance base assessment will no longer be the way an insured depository institution s deposit premiums are calculated. For the quarter which began January 1, 2011, 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 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. BankAtlantic s FDIC deposit insurance premium increased from $2.8 million for the year ended December 31, 2008 to $10.1 million for the same 2010 period. BankAtlantic expects its FDIC insurance premium to further increase during 2011 from the amounts assessed during 2010 based on its last OTS examination report.

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 a $2.4 million assessment during 2009. There was no corresponding assessment during 2010. The FDIC 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. Amendments to the FDI Act also revise the assessment base against which an insured depository institution s deposit insurance premiums paid to DIF will be calculated. Under the amendments, the assessment base will no longer be the institution s deposit base, but rather its average consolidated total assets less its average tangible equity. Additionally, the Dodd-Frank Act makes changes to the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15 percent to 1.35 percent of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds.

Continued action by the FDIC to replenish the DIF as well as the changes contained in the Dodd-Frank Act may result in higher assessment rates, which could reduce our profitability or otherwise negatively impact our operations.

Privacy and Security Protection. BankAtlantic is subject to regulations implementing the privacy and security protection provisions of the Gramm-Leach-Bliley Act, or GLBA. These regulations require a savings association 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 associations 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. 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, 2010 of approximately $43.6 million. During the year ended December 31, 2010, the FHLB of Atlanta paid dividends of approximately $0.1 million on the capital stock held by BankAtlantic.

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 associations 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 associations.

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

- internal policies, procedures and controls designed to implement and maintain the savings association 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

Fair Debt Collection Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Gramm-Leach-Biley Act, the Real Estate Settlement Procedures Act, the Right to Financial Privacy Act, the Home Mortgage Disclosure Act, laws regarding unfair and deceptive trade practices; and usury laws. 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.

Many states and local jurisdictions have consumer protection laws analogous, and in addition, to those listed above. These federal, state and local laws regulate the manner in which financial institutions deal with customers when taking deposits, making loans, or conducting other types of transactions. Failure to comply with these laws and regulations could give rise to regulatory sanctions, customer rescission rights, action by state and local attorneys general, and civil or criminal liability. The creation of the CFPB by the Dodd-Frank Act is likely to lead to enhanced and strengthened enforcement of consumer financial protection laws.

ITEM 1A. RISK FACTORS

Failure to comply with the Cease and Desist Orders could result in further regulatory action and/or fines and efforts to comply with the Orders could have a material adverse effect on our business and results of operations.

On February 23, 2011, the Parent Company entered into the Company Order and BankAtlantic entered into the Bank Order with the OTS, the Parent Company s and BankAtlantic s primary regulator (See Business-Recent Developments for a description of the terms of the Orders).

Any material failure by the Company or BankAtlantic to comply with the terms of the Orders could result in additional enforcement actions by the OTS and/or the imposition of fines. For example, if BankAtlantic does not meet the capital ratio requirements in the Bank Order, BankAtlantic would be required to submit a contingency plan that is acceptable to the OTS and that would detail steps to be taken by BankAtlantic that would lead to a potential sale of BankAtlantic. BankAtlantic would be required ti implement the contingency plan upon written notification from the OTS. Further, efforts to comply with the Orders may have material adverse effects on the operations and financial condition of the Company.

Our recent financial performance and the regulatory actions by the OTS, combined with 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.

The Company has incurred losses of $145.5 million, $185.8 million and $202.6 million during the years ended December 31, 2010, December 31, 2009 and December 31, 2008, 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.

The Parent Company contributed $28 million and $105 million to the capital of BankAtlantic during the years ended December 31, 2010 and December 31, 2009, respectively. At December 31, 2010, the Parent Company had $12.2 million of liquid assets. While a wholly-owned work-out subsidiary of the Parent Company also holds a portfolio of approximately $13.7 million of non-performing loans, net of reserves, $2.8 million of performing loans and $10.2 million of real estate owned which it could seek to liquidate, the Parent Company s sources of funds to continue to support BankAtlantic are limited.

The Parent Company 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 and real estate owned. Its 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 entry into the Orders may also make it more difficult to raise additional capital. Such capital may not be available to us on acceptable terms or at all. The Parent Company may not be able to provide additional capital, as needed, to BankAtlantic and BankAtlantic may not be able to raise needed capital directly. The failure to obtain capital in amounts needed to meet the higher capital requirements under the Bank Order would cause BankAtlantic to fail to comply with the Bank Order and may have a material adverse effect on our results of operation and financial condition.

In light of the need for the Parent Company to be in a position to provide capital to BankAtlantic, as well as the anticipated imposition of capital requirements on thrift holding companies under the Dodd-Frank Act, the Parent Company has and will continue to evaluate raising additional funds through the issuance of securities. Any such financing could be obtained through additional public offerings, private offerings, in privately negotiated transactions, through a rights offering or otherwise. We could also pursue these financings at the Parent Company level or directly at BankAtlantic or both. Issuances of equity directly at BankAtlantic would dilute the Parent Company s interest in BankAtlantic. During February 2010, we filed a shelf registration statement with the SEC registering up to $75 million of our Class A Common Stock and/or other securities in the future. We currently have $55 million remaining on this shelf registration statement. Additionally, in September 2010, the Parent Company filed a separate registration statement on Form S-1 with the SEC for registering $125 million of Class A Common Stock. The Form S-1 registration statement has not yet been declared effective. 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. The terms and pricing of any future transaction by the Parent Company or BankAtlantic could result in additional substantial dilution to our existing shareholders. As a result, our shareholders bear the risks of future offerings at the Parent Company level reducing the price of our Class A Common Stock, and diluting their holdings in the Company, and future offerings directly at BankAtlantic diluting the Parent Company s interest in BankAtlantic. Additionally, depending on the amount of shares issued in any future offering, the Company s ability to use its NOLs in future periods may be substantially limited.

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 has been in 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, 2010, BankAtlantic s loan portfolio included $305.7 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, 2010, BankAtlantic s loan portfolio included $2.1 billion of loans concentrated in Florida, which represented approximately 64% of its loan portfolio.

We believe that BankAtlantic s commercial residential loan portfolio has exposure to further declines in the Florida real estate market. As of December 31, 2010: (i) the builder land bank loan category held by BankAtlantic consisted of 4 loans aggregating $10.6 million, all of which were on non-accrual; (ii) the land acquisition and development loan category held by BankAtlantic consisted of 24 loans aggregating $118.8 million, of which thirteen loans totaling $61.9 million were on non-accrual; (iii) the land acquisition, development and construction loan category held by BankAtlantic consisted of 3 loans aggregating $3.5 million, none of which were on non-accrual.

In addition to the loans described above, during 2008, the Parent 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, 2010 was $14.5 million, including $3.7 million, $3.6 million and $1.6 million of builder land bank loans , land acquisition and development loans , and land acquisition, development and construction loans , respectively.

Market conditions have resulted in, 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 loan portfolio are approximately $781.6 million of commercial non-residential and commercial land loans. A borrower s ability to repay commercial land loans is dependent on the success of the real estate project. A borrower s ability to repay commercial non-residential loans is dependent upon maintaining tenants 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 2011 which could result in falling rents. 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 10 large lending relationships totaling $266 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.

The Parent Company 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.

The Parent Company 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 $28.2 million of regularly scheduled quarterly interest payments that would otherwise have been paid during the years ended December 31, 2010 and 2009. The terms of the junior subordinated debentures allow the Parent Company to defer interest payments for up to 20 consecutive quarterly periods, and the Parent Company 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, the Parent Company will be required to pay all interest accrued during the deferral period. In the event that the Parent 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, the Parent Company would owe approximately $74 million of accrued interest as of December 31, 2013 (based on average interest rates applicable at December 31, 2010, 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 the Parent Company would owe at the conclusion of the deferral period.

BankAtlantic obtained 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 historically has been 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 became effective July 1, 2010, had a significant adverse impact on our service charge income during the year ended December 31, 2010 and this impact is expected to continue in 2011. Additionally, the Dodd-Frank Act has established a consumer protection agency which may further limit the assessment of overdraft fees. Changes in customer behavior, modification of our service charge practices as well as increased competition from other financial institutions could also 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. The reduction in deposit account fee income during 2010 had an adverse impact on our earnings and further reductions during 2011 would likewise impact our earnings.

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may have a material effect on our operations.

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, which imposes significant regulatory and compliance changes. Currently, we believe the key effects of the Dodd-Frank Act on our business are:

- changes to the thrift supervisory structure, including the elimination of the Office of Thrift Supervision and the transfer of oversight of federally chartered thrift institutions to the OCC;
- changes to regulatory capital requirements at the holding company level;
- creation of new government regulatory agencies;
- limitations on federal preemption;
- limitations on debit card interchange fees;
- changes in insured depository institution regulations; and
- mortgage loan origination and risk retention.

Many provisions of the Dodd-Frank Act remain subject to regulatory rulemaking and implementation, the effects of which are not yet known. As a result, it is difficult to gauge the ultimate impact of certain provisions of the Dodd-Frank Act because the implementation of many concepts is left to regulatory agencies. For example, the Consumer Financial Protection Bureau (CFPB) is given the power to adopt new regulations to protect consumers and is given control over existing consumer protection regulations adopted by federal banking regulators.

The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements or with any future changes in laws or regulations may negatively impact our results of operations and financial condition. See Regulation of Federal Savings Associations-BankAtlantic-The Dodd-Frank Act for a more detailed description of the Dodd-Frank Act.

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

BankAtlantic s FDIC deposit insurance expense for the year ended December 31, 2010 was $10.1 million. As a result of recent economic conditions and the enactment of the Dodd-Frank Act, the FDIC has increased the deposit insurance assessment rates and raised deposit premiums for insured depository institutions. In addition, BankAtlantic s annual insurance rates are expected to increase in 2011 based on the results of its latest regulatory risk profile. BankAtlantic s prepaid insurance assessment was $22.0 million at December 31, 2010. If the economy worsens and the number of bank failures significantly increase, or if the FDIC otherwise determines that increased premiums are 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.

The Parent 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 Parent Company is a grandfathered unitary savings and loan holding company and has broad authority to engage in various types of business activities. The OTS, among other things, can prevent us 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.

Unlike bank holding companies, as a unitary savings and loan holding company, we have not historically been subject to capital requirements. However, capital requirements may be imposed on savings and loan holding companies in the future. The Dodd-Frank Act may, among other things, eliminate the status of a savings and loan holding company and require us to register as a bank holding company, which would subject us to regulatory capital requirements. Further, the regulatory bodies having authority over us may adopt regulations in the future that would affect our operations, including our ability to engage in certain transactions or activities.

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.

At December 31, 2010, BankAtlantic s allowance for loan losses was $161.3 million which represented approximately 5.08% of total loans and 43.5% of non-performing loans.

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

As of December 31, 2010, approximately $550.2 million of BankAtlantic s purchased residential loan portfolio consisted of interest-only loans, representing approximately 45% of the total purchased residential loan portfolio. While these loans are not considered sub-prime or negative amortizing loans, these loans have 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. During the year ended December 31, 2011, approximately $52.1 million of the loans in this portfolio will begin principal amortization. Monthly loan payments also increase if 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 increases our exposure to loss.

Non-performing 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, 2010 and 2009, the Company s non-performing loans totaled $385.5 million and $331.0 million, or 12.0% and 9.0% of our loan portfolio, respectively. At December 31, 2010 and 2009, the Company s non-performing assets (which include non-performing loans and foreclosed real estate) were $463.6 million and $379.7 million, or 10.3% and 7.9% of our total assets, respectively. In addition, the Company had approximately $38.2 million and $72.9 million in accruing loans that were 30-89 days delinquent at December 31, 2010 and 2009, respectively. Our non-performing 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 non-performing loans and non-performing assets. We generally do not record interest income on non-performing 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 non-performing loans and non-performing assets impact our regulators view of appropriate capital levels, which was the major contributing factor to the imposition by the OTS of the Orders. Our regulators will likely require us to maintain enhanced capital levels until, at a minimum, our levels of non-performing loans and assets are substantially reduced. While we seek to manage our nonperforming assets, decreases in the value of these assets or deterioration in our borrowers financial condition, 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 non-performing assets requires significant commitments of management time.

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

The decline in residential real estate prices and higher unemployment throughout Florida has, over the past three years, 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 significantly in the near term. Approximately 74% of the loans in BankAtlantic s home equity portfolio are residential second mortgages that exhibit higher loss severity than residential first mortgages. 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.

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, BankAtlantic may not 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, management s efforts may not be successful.

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, which may not be available in sufficient amounts, 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.

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 $330.6 million for the year ended December 31, 2008 to $236.3 million for the year ended December 31, 2010. 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, BankAtlantic may not be successful in efforts to further reduce expenses or to maintain its current expense structure. BankAtlantic s inability to reduce or maintain its current expense structure may have an adverse impact on our results.

Prior to 2009, the Parent Company 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.

BankAtlantic has not paid a dividend to the Parent Company since September 2008 and the Bank Order prohibits BankAtlantic from paying dividends to the Parent Company without the prior written non-objection of the OTS. As such, BankAtlantic does not intend to pay dividends to the Parent Company 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 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, legal and regulatory 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, an SEC investigation, the Orders and an overdraft fee investigation, as well as litigation arising out of our banking operations including workouts and foreclosures, potential class actions by customers relating to service and overdraft fees assessed to their accounts, and legal proceedings associated with our tax certificate business and relationships with third party tax certificate ventures. While, based on current information, we believe that we have meritorious defenses in these proceedings, we anticipate continued elevated legal and related costs as parties to the actions and the ultimate outcomes of the matters are uncertain. Additionally, our insurance carrier for claims under our director and officer liability insurance denied insurance coverage for the class action securities litigation on the grounds that the jury found intentional wrongful acts by certain senior executive officers of the Company. While the Company disputes the validity of the denial of coverage, the Company does not expect to receive additional reimbursements for litigation costs associated with class action securities litigation unless it is successful in contesting the denial of insurance coverage. The insurer and the Company have agreed to a tolling agreement where neither party will take legal action related to the insurance coverage dispute through September 1, 2011 or a later date if extended. As such, if the Company is not successful in the appeals process, a potential securities litigation unfavorable judgment could have a material adverse impact on the Company s financial statements.

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 $163.3 million for the year ended December 31, 2009 and $151.3 million for the year ended December 31, 2010. 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.

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 and commercial real estate markets 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 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.

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 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, all the information provided to us may not be accurate or we may not 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.

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 consumer 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 have generally been 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 unpredictable.

Risks Related to Our Common Stock

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, 2010, BFC Financial Corporation (BFC) owned all of the Company s issued and outstanding Class B Common Stock and 27,333,428 shares, or approximately 43%, of the Company s issued and outstanding Class A Common Stock. BFC s holdings represent approximately 71% 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.

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 over the last several years, 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 28, 2011, the average market price of the Company s Class A Common Stock over the prior 30 trading day period was approximately $1.06, and the Company s average market capitalization over that period was approximately $65 million. However, the market price of the Company s Class A Common Stock is subject to significant volatility and it may 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.

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, 2010:

	Miami - Dade	Broward	Palm Beach	Tampa
Owned full-service branches	9	13	25	7
Leased full-service branches	10	11	5	5
Ground leased full-service branches (1)	3	3	1	7
Total full-service branches	22	27	31	19
Lease expiration dates	2011-2020	2011-2015	2011-2016	2011-2023
Ground lease expiration dates	2026-2027	2017-2072	2026	2026-2032

(1) Branches 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, 2010:

	Miami - Dade	Broward	Palm Beach	Tampa	Orlando / Jacksonville
Leased drive-through facilities	1	2	-	-	-
Leased drive through expiration dates	2015	2011-2014	-	-	-
Leased back-office facilities	1	-	-	2	1
Leased back-office expiration dates	2018	-	-	2012-2014	2013

In January 2011, BankAtlantic entered into an agreement with PNC Bank to sell its 19 branches and two related facilities in Tampa. The transaction is anticipated to close in June 2011, and is subject to regulatory approvals and other customary terms and conditions. The 19 affected branches will operate normally through completion of the transaction.

In prior years, BankAtlantic had acquired land and executed operating leases for store expansion. As of December 31, 2010, BankAtlantic is seeking to sublease the leased properties, and sell the parcels of land which were not used for branch expansion. The following table sets forth the executed leases and land purchased for store expansion as of December 31, 2010:

	Miami - Dade	**Broward**	**Palm Beach**	**Tampa Bay**	**Orlando / Jacksonville**
Executed leases held for sublease	-	2	1	4	2
Executed lease expiration dates	-	2013-2030	2028	2028-2048	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 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, John E. Abdo, 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 sought to assert claims for violations of the Securities Exchange Act of 1934 and Rule 10b-5 and 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.

On November 18, 2010, a jury returned a verdict awarding $2.41 per share to shareholders who purchased shares of the Company s Class A Common Stock during the period of April 26, 2007 to October 26, 2007 and retained those shares until the end of the period. The jury rejected the plaintiffs claim for the six month period from October 19, 2006 to April 25, 2007. Prior to the beginning of the trial, plaintiffs abandoned any claim for any prior period. The Company has filed motions to set aside the verdict, which are fully briefed, and the judge has indicated that if those are denied she will certify issues to the United States Court of Appeals to the Eleventh Circuit before any judgment is entered or claims are satisfied.

The Company intends to vigorously prosecute post-trial motions and an appeal, and then subsequently assert all meritorious available defenses in any claims process.

***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. This shareholder derivative action is based on the same factual allegations made in In re BankAtlantic Bancorp, Inc. Securities Litigation and has been stayed pending final resolution of that case. The Company believes the claims to be without merit and intends to vigorously defend this action.

***Albert R. Feldman, Derivatively on behalf of Nominal Defendant BankAtlantic Bancorp, Inc. v. Alan B. Levan, et al.*, Case No. 0846795 07**

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 *Feldman* case is a derivative case with allegations virtually identical to those made in the *Hugo* case. 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 In re BankAtlantic Bancorp, Inc. 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 was limited to the Plaintiff s individual claim. On June 2, 2010, the parties entered a stipulation of dismissal with prejudice with respect to the Plaintiff s individual claim and on that same date, the court entered an order of dismissal with respect to those claims.

Jordan Arizmendi, et al., individually and on behalf of all others similarly situated, v. BankAtlantic, Case No. 09-059341 (19), Circuit Court of the 17th Judicial Circuit for Broward County, Florida.

On November 8, 2010, two pending class action cases against BankAtlantic -- *Farrington v. BankAtlantic*, and *Rothman v. BankAtlantic* were consolidated, and a Consolidated Amended Class Action Complaint (Complaint) was filed. New purported named plaintiffs were added, and the case is now styled as *Jordan Arizmendi, et al., individually and on behalf of all others similarly situated, v. BankAtlantic*. The Complaint, which asserts claims for breach of contract and breach of the duty of good faith and fair dealing, alleges that the Bank improperly re-sequenced debit card transactions, improperly assessed overdraft fees on positive balances, and improperly imposed sustained overdraft fees on customers one day sooner than provided for under the applicable account agreement.

SEC Investigation

In October 2008, the Company received a notice of investigation from the Securities and Exchange Commission, Miami Regional Office and at that time and subsequently, have received 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, loan classifications, BankAtlantic Bancorp s asset workout subsidiary, any purchases or sales of the Company s Common Stock by officers or directors of the Company and communications with the OTS related to the Orders. Various current and former employees have also received subpoenas for documents and testimony. The Company is fully cooperating with the SEC.

Office of Thrift Supervision Investigation

On January 6, 2011, the Office of Thrift Supervision advised BankAtlantic that it had determined, subject to receipt of additional information from BankAtlantic, that BankAtlantic engaged in deceptive and unfair practices in violation of Section 5 of the Federal Trade Commission Act relating to certain of BankAtlantic s deposit-related products. The OTS provided BankAtlantic the opportunity to respond with any additional or clarifying information, and BankAtlantic submitted a written response to the OTS on February 7, 2011 addressing the OTS s position.

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.

ITEM 4. RESERVED

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 14, 2011, there were approximately 646 record holders and 63,131,721 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 14, 2011.

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, 2010	$ 3.28	$ 0.60
Fourth quarter	1.59	0.60
Third quarter	1.85	0.75
Second quarter	3.28	1.35
First quarter	3.24	1.14
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

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 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 may 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 Parent Company. However, the terms of the Orders prohibit the payment of dividends by the Parent Company or BankAtlantic without receiving the prior written non-objection of the Regional Director of the OTS. Accordingly, the Company does not expect to receive dividend payments from BankAtlantic for the foreseeable future and does not expect to make dividend payments to the Company s shareholders in the foreseeable future.

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, 2010	$ -	$ -
Fiscal year ended December 31, 2009:	$ 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.

On June 18, 2010, the Company distributed to each holder of record who owned shares of the Company s Class A Common Stock and Class B Common Stock on June 14, 2010 non-transferable subscription rights to purchase 0.327 shares of Class A Common Stock for each share of Class A and Class B Common Stock owned on that date. The rights offering was for an aggregate amount of $25 million with a subscription price of $1.50 per share. Shareholders who exercised their basic subscription rights in full were given the opportunity to request to purchase additional shares of the Company s Class A Common Stock that were not subscribed for in the rights offering. The net proceeds from this rights offering were $19.6 million, net of offering costs. The Company used the net proceeds as part of a $20 million capital contribution to BankAtlantic.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands except share and per share data)	For the Years Ended December 31, 2010	2009	2008	2007	2006
Income Statement:					
Total interest income	$ 176,308	223,593	314,516	371,633	367,177
Total interest expense	39,546	75,231	140,685	192,857	167,057
Net interest income	136,762	148,362	173,831	178,776	200,120
Provision for loan losses	144,361	232,658	159,801	70,842	8,574
Securities activities, net	2,864	11,180	2,039	8,412	9,813
Other non-interest income	104,149	118,641	135,525	143,420	132,803
Restructuring charges, impairments, cost of debt redemptions and exit activities	21,535	29,920	59,551	20,890	1,466
Other non-interest expense	222,763	236,844	278,798	296,460	298,720
(Loss) income from continuing operations before income taxes	(144,884)	(221,239)	(186,755)	(57,584)	33,976
(Benefit) provision for income taxes (6)	(2,134)	(31,719)	32,489	(27,572)	7,097
(Loss) income from continuing operations	(142,750)	(189,520)	(219,244)	(30,012)	26,879
Discontinued operations, net of tax (5)	(500)	3,701	16,605	7,812	(11,492)
Net (loss) income	(143,250)	(185,819)	(202,639)	(22,200)	15,387
Less: net income attributable to Non-controlling interest	(931)	-	-	-	-
Net loss attributable to BankAtlantic Bancorp, Inc.	$ (144,181)	(185,819)	(202,639)	(22,200)	15,387
Performance ratios:					
Return on average assets (1)	(3.13)	(3.60)	(3.50)	(0.47)	0.42
Return on average equity (1)	(39.85)	(92.44)	(51.03)	(5.91)	5.12
Average equity to average assets	7.86	3.90	6.86	7.91	8.19
Dividend payout ratio (2)	-	(0.15)	(0.38)	(24.79)	36.01

(In thousands except share and per share data)	For the Years Ended December 31, 2010	2009	2008	2007	2006
Basic and diluted earnings per share:					
Basic and diluted (loss) earnings from continuing operations (7)	$ (2.57)	(7.99)	(14.47)	(1.93)	1.61
Basic and diluted earnings (loss) per share from discontinued operations (5)(7)	(0.01)	0.16	1.10	0.51	(0.69)
Basic and diluted (loss) earnings per share	$ (2.58)	(7.83)	(13.37)	(1.42)	0.92
Per common share data:					
Cash dividends declared per common share Class A	$ -	0.025	0.075	0.640	0.790
Cash dividends declared per common share Class B	-	0.025	0.075	0.640	0.790
Book value per share (3)	0.24	2.88	21.72	40.96	43.01

(In thousands except share and per share data)	**As of December 31,**				
	2010	**2009**	**2008**	**2007**	**2006**
Balance Sheet (at year end):					
Loans, net	$ 3,047,944	3,694,326	4,326,651	4,524,188	4,595,920
Securities	515,680	432,818	948,592	1,169,673	1,059,111
Total assets	4,509,433	4,815,617	5,814,557	6,378,817	6,495,662
Deposits	3,893,014	3,969,680	3,919,796	3,953,405	3,867,036
Securities sold under agreements to repurchase and other short term borrowings	22,764	27,271	284,423	167,240	133,958
Other borrowings (4)	514,385	613,043	1,284,087	1,717,893	1,810,247
Total equity	14,743	141,571	243,968	459,321	524,982
Asset quality ratios for BankAtlantic:					
Non-performing assets, net of reserves, as a percent of total loans, tax certificates and repossessed assets	% 13.08	9.39	6.55	4.10	0.55
Loan loss allowance as a percent of non-performing loans	43.48	56.56	47.76	52.65	982.89
Loan loss allowance as a percent of total loans	5.09	4.83	3.07	2.04	0.94
Capital ratios for BankAtlantic:					
Total risk based capital	% 11.72	12.56	11.63	11.63	12.08
Tier I risk based capital	9.68	10.63	9.80	9.85	10.50
Tier 1/Core capital	6.22	7.58	6.80	6.94	7.55

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 as of December 31, 2006.
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 two 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 years ended December 31, 2010, 2009 and 2008, the Company recorded a deferred tax valuation allowance for its entire net deferred tax asset.
7. The amounts represent diluted earnings per share for the year ended December 31, 2006. Basic earnings per share for the year ended December 31, 2006 from continuing operations and discontinued operations was $1.64 and (0.70), respectively.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF

OPERATIONS AND FINANCIAL CONDITION

Introduction

BankAtlantic Bancorp, Inc. (the Parent Company) 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, 2010, we had total consolidated assets of approximately $4.5 billion, deposits of approximately $3.9 billion and shareholders equity of approximately $14.7 million. We operate through two primary business segments: BankAtlantic and the Parent Company.

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,		
	2010	2009	2008
BankAtlantic	$ (115,910)	(148,708)	(166,144)
Parent Company	(26,840)	(40,812)	(53,100)
Loss from continuing operations	$ (142,750)	(189,520)	(219,244)

For the Year Ended December 31, 2010 as Compared to 2009

The decrease in BankAtlantic s net loss during the year ended December 31, 2010 compared to the same 2009 period resulted primarily from a $75.4 million decrease in the provision for loan losses and $22.5 million of lower non-interest expenses, partially offset by $12.0 million and $23.5 million of decreased net interest income and non-interest income, respectively.

The substantial decrease in the provision for loan losses related primarily to a reduction in charge-offs, lower commercial real estate loan balances, and lower real estate value declines. We believe that the reduction in the provision for loan losses reflects significant real estate loan write-downs in prior periods. However, if economic and real estate market conditions deteriorate further, particularly in Florida, we believe that higher provisions for loan losses may be required in future periods.

The decreased non-interest income was due primarily to lower revenues from service charges reflecting declines in the total number of accounts which incurred overdraft fees and a decrease in the frequency of overdrafts per deposit account. We believe that the decline in the number of accounts incurring overdraft fees is the result of our focus on seeking to attract customers who maintain deposit accounts with higher balances, the adoption of new Federal Reserve overdraft rules, other modifications to our overdraft policies and changes in customer behavior. We currently expect this decline in overdraft fees to continue as we have introduced new fee based deposit products and revised our overdraft protection products and practices in a manner that will likely result in lower fees.

The decline in BankAtlantic s net interest income resulted primarily from lower earning asset balances and higher non-performing asset balances as well as an increase in lower yielding interest bearing cash balances with the Federal Reserve Bank and other lower yielding investments reflecting management s decision to increase liquidity. The decline in earning assets was the result of lower loan originations and purchases, reduced acquisitions of tax certificates and sales of agency securities.

The decrease in non-interest expenses reflects lower compensation and occupancy expenses associated with efforts to increase operating efficiencies and $7.5 million of costs associated with debt redemptions in 2009 compared to $60,000 of costs associated with debt redemptions in 2010. The lower non-interest expenses were partially offset by higher professional fees associated primarily with the class-action securities litigation and secondarily from legal costs associated with the regulatory environment, tax certificate activities litigation, loan modifications and loan work-outs.

During the year ended December 31, 2010, non-interest expenses included $4.5 million of impairments on assets transferred to held-for-sale in connection with the Tampa branch sale, $4.0 million of employee severance associated with 2010 workforce reductions, $6.2 million of real estate impairments and lease termination costs associated with properties acquired for branch expansion and a $1.2 million loss on the sale of a real estate project. During the year ended December 31, 2009, non-interest expenses included $2.0 million of employee severance associated with 2009 workforce reductions and $3.3 million of real estate impairments and lease termination costs.

The decrease in the Parent Company s loss for the year ended December 31, 2010 compared to the same 2009 period resulted primarily from a $12.9 million decline in the provision for loan losses and lower compensation expenses partially offset by higher professional fees. The substantial improvement in the provision for loan losses reflects lower loan balances from loan sales, short sales and charge-offs. Loan receivable balances declined from $48.0 million at December 31, 2009 to $17.3 million at December 31, 2010. The decline in compensation expense reflects substantially lower executive bonuses during 2010 compared to 2009. The increase in professional fees resulted from higher consulting costs associated with investment banking and advisory services as well as increased legal expenses incurred in connection with the SEC investigation, regulatory environment, general corporate matters and foreclosure costs associated with non-performing loans held in a work-out subsidiary of the Parent Company.

For the Year Ended December 31, 2009 as Compared to 2008

The lower loss from continuing operations at BankAtlantic during 2009 compared to the same 2008 period was primarily the result of a $31.7 million income tax benefit recognized by BankAtlantic during 2009 in connection with a change in tax regulations which enabled BankAtlantic to utilize additional net operating losses. During 2008, BankAtlantic established a deferred tax valuation allowance on the 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.

The reduction in BankAtlantic s net interest income was primarily due to a decline in earning assets. The reduction in non-interest income related primarily to a decline in overdraft fees. This overdraft fee income decline reflected, 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. 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 decrease in the Parent Company segment loss during 2009 compared to 2008 reflected 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 represented additional charge-offs and specific reserves associated with these loans due to declining real estate collateral values. The improvement in net interest expense reflected 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.

Discontinued Operations for the Years Ended December 31, 2010, 2009 and 2008

During the year ended December 31, 2010, the Parent Company recognized $0.5 million of indemnification losses pursuant to the Ryan Beck merger agreement with Stifel. During the years ended December 31, 2009 and 2008, the Parent Company recognized $3.7 million and $16.6 million, respectively, in discontinued operations relating to additional proceeds received in connection with contingent earn-out payments under the Ryan Beck merger agreement with Stifel.

BankAtlantic Results of Operations

Key Events Impacting BankAtlantic s Operations Over Past 8 Years:

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) and subsequently this initiative contributed to a significant increase in core deposit balances from $600 million at December 31, 2001 to approximately $2.8 billion at December 31, 2010. Core deposits represented 73% of BankAtlantic s total deposits at December 31, 2010, compared to 26% of total deposits at December 31, 2001.

In 2004, BankAtlantic announced its de novo store expansion strategy and opened 32 stores as of December 31, 2008 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 fourth quarter of 2007, BankAtlantic decided to delay its retail network expansion, consolidate certain back-office facilities and implement other initiatives to reduce 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 and to a lesser extent home equity consumer loans.

As economic conditions deteriorated in late 2007 and during 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 experienced further rapid deterioration, investor confidence in financial institutions was significantly and adversely affected, and the market capitalization of the Company s Class A Common Stock declined significantly. 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 a $66.9 million non-cash deferred tax valuation allowance.

During 2009, in response to the continued deteriorating economic conditions, including continued 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 toward strengthening its liquidity and regulatory capital ratios. However, the credit quality of its loans continued to deteriorate in 2009, and BankAtlantic s losses continued. As a result, the Company 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.

During 2010, BankAtlantic continued to reduce its expenses and assets in order to improve its liquidity and capital ratios. The Company contributed $28 million of capital to BankAtlantic. As a consequence of these actions, BankAtlantic was successful in enhancing its liquidity and maintaining its required regulatory capital levels throughout 2010 despite incurring losses during 2010. During the third quarter of 2010, BankAtlantic began seeking a buyer for its Tampa branches in order to focus on its core markets in southeast Florida. In January 2011, BankAtlantic entered into an agreement to sell its Tampa branches to PNC Financial Services Group Inc. BankAtlantic expects that the sale of the Tampa branches will also strengthen its regulatory capital ratios and reduce operating expenses.

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

	For the Years Ended December 31, 2010	2009	2008	Change 2010 vs 2009	Change 2009 vs 2008
Net interest income	$ 151,334	163,324	193,648	(11,990)	(30,324)
Provision for loan losses	(138,825)	(214,244)	(135,383)	75,419	(78,861)
Net interest income (expense) after provision for loan losses	12,509	(50,920)	58,265	63,429	(109,185)
Non-interest income	105,762	129,292	137,308	(23,530)	(8,016)
Non-interest expense	(236,315)	(258,799)	(330,623)	22,484	71,824
BankAtlantic (loss) income before income taxes	(118,044)	(180,427)	(135,050)	62,383	(45,377)
Benefit/(provision) for income taxes	2,134	31,719	(31,094)	(29,585)	62,813
BankAtlantic net loss	$ (115,910)	(148,708)	(166,144)	32,798	17,436

BankAtlantic s Net Interest Income

The following table summarizes net interest income:

	For the Years Ended								
	December 31, 2010			December 31, 2009			December 31, 2008		
(Dollars are in thousands)	**Average Balance**	**Revenue/ Expense**	**Yield/ Rate**	**Average Balance**	**Revenue/ Expense**	**Yield/ Rate**	**Average Balance**	**Revenue/ Expense**	**Yield/ Rate**
Interest earning assets									
Loans: (a)									
Residential real estate	$ 1,392,600	68,392	4.91	1,758,188	89,836	5.11	2,053,645	111,691	5.44
Commercial real estate	1,043,261	39,758	3.81	1,204,005	46,746	3.88	1,238,307	69,642	5.62
Consumer	661,718	19,285	2.91	723,135	21,104	2.92	743,863	33,950	4.56
Commercial business	135,669	9,036	6.66	143,224	7,461	5.21	132,565	9,516	7.18
Small business	307,269	19,295	6.28	316,328	20,010	6.33	320,853	22,162	6.91
Total loans	3,540,517	155,766	4.40	4,144,880	185,157	4.47	4,489,233	246,961	5.50
Investment securities (b)	719,429	20,251	2.81	706,953	37,857	5.35	1,098,895	65,570	5.97
Federal funds sold	2,303	7	0.30	14,760	33	0.22	44,031	754	1.71
Total investment securities	721,732	20,258	2.81	721,713	37,890	5.25	1,142,926	66,324	5.80
Total interest earning assets	4,262,249	176,024	4.13	4,866,593	223,047	4.58	5,632,159	313,285	5.56
Total non-interest earning assets	296,336			319,520			482,322		
Total assets	**$ 4,558,585**			**5,186,113**			**6,114,481**		
Interest bearing liabilities									
Deposits:									
Savings	$ 441,286	1,112	0.25	436,169	1,612	0.37	503,464	4,994	0.99
NOW, money funds and checking	1,878,123	9,288	0.49	1,589,340	9,961	0.63	1,506,479	17,784	1.18
Certificate accounts	758,000	12,111	1.60	1,192,012	30,311	2.54	1,088,170	41,485	3.81
Total interest bearing deposits	3,077,409	22,511	0.73	3,217,521	41,884	1.30	3,098,113	64,263	2.07
Securities sold under agreements to repurchase and federal funds purchased	35,056	46	0.13	108,248	237	0.22	141,654	2,699	1.91
Advances from FHLB	107,455	1,209	1.13	553,146	16,522	2.99	1,417,718	50,942	3.59
Subordinated debentures and notes payable	22,125	924	4.18	22,757	1,080	4.75	26,004	1,733	6.66
Total interest bearing liabilities	3,242,045	24,690	0.76	3,901,672	59,723	1.53	4,683,489	119,637	2.55
Non-interest bearing liabilities									
Demand deposit and escrow accounts	903,122			809,900			828,825		
Other liabilities	55,221			62,343			50,584		
Total non-interest bearing liabilities	958,343			872,243			879,409		
Stockholders equity	358,197			412,198			551,583		
Total liabilities and stockholders equity	**$ 4,558,585**			**5,186,113**			**6,114,481**		
Net interest income/net interest spread		151,334	3.37		163,324	3.05		193,648	3.01
Net interest income		151,334			163,324			193,648	

Margin				
Interest income/interest earning assets	%	4.13	4.58	5.56
Interest expense/interest earning assets		0.58	1.23	2.12
Net interest margin	%	3.55	3.35	3.44

(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.

For the Year Ended December 31, 2010 as Compared to 2009

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

The average balance of earning assets declined by $604.3 million during year ended December 31, 2010 compared to the same 2009 period. This decline in interest earning assets significantly reduced our net interest income. 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. BankAtlantic also experienced significant residential loan and mortgage backed securities repayments due to normal loan amortization as well as a significant amount of loan refinancing associated with low residential mortgage interest rates during 2009 and 2010. These repayments during 2010 resulted in significant increases in cash which was used, in part, for the purchase of short-term investments and increased interest earning cash balances at the Federal Reserve Bank. The average balances of these short-term investments and Federal Reserve balances were $338.7 million during the year ended December 31, 2010 compared to $45.7 million for 2009.

The net interest spread and margin improved due to a decline in the cost of funds. The decline resulted primarily from a change in our funding mix and secondarily from a decline in deposit interest rates in the industry. BankAtlantic used a portion of the funds from the reduction in assets to repay FHLB advances and short term wholesale borrowings. As a consequence, BankAtlantic s funding mix changed from higher rate FHLB advances and short-term borrowings to lower rate deposits. The decline in interest bearing deposit rates reflects the lower interest rate environment and a change in the deposit funding mix from time deposits to NOW deposit accounts. Time deposits generally have higher interest rates than NOW accounts. Deposits which BankAtlantic receives in connection with its participation in the Certificate of Deposit Account Registry Services (CDARS) program from other participating CDARS institutions are included in BankAtlantic s financial statements as brokered deposits. Average brokered deposits declined from $189.5 million during 2009 to $23.8 million, of which $18.8 million of the 2010 brokered deposits were CDARS related deposits. BankAtlantic ceased originating brokered deposits during 2009 and is restricted under the Bank Order from origination or renewing brokered deposits in subsequent periods.

The improved cost of funds was partially offset by lower interest earning asset yields primarily due to the change in the mix of earning assets as proceeds from the repayment of loans were reinvested in lower yielding short-term investments. Also contributing to the decline in loan receivable average yields was a significant increase in non-performing loans. Non-performing loans were $371.0 million, $286.1 million and $208.1 million at December 31, 2010, 2009 and 2008, respectively.

The low interest rates during 2010 had a favorable impact on our net interest margin.

For the Year Ended December 31, 2009 as Compared to 2008

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 reduce assets in order to improve liquidity and regulatory capital ratios. 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. 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. 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.

The decline in interest bearing deposit rates reflects the lower interest rate environment and an increase in NOW deposit accounts. 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.

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 net interest income (in thousands):

	Year Ended December 31, 2010 Compared to 2009			Year Ended December 31, 2009 Compared to 2009		
	Volume (a)	**Rate**	**Total**	**Volume (a)**	**Rate**	**Total**
Increase (decrease) due to:						
Loans	$ (26,589)	(2,802)	(29,391)	(15,383)	(46,421)	(61,804)
Taxable investment securities (b)	351	(17,957)	(17,606)	(20,988)	(6,725)	(27,713)
Federal funds sold	(38)	12	(26)	(65)	(656)	(721)
Total earning assets	(26,276)	(20,747)	(47,023)	(36,436)	(53,802)	(90,238)
Deposits:						
Savings	13	(513)	(500)	(249)	(3,133)	(3,382)
NOW, money funds, and checking	1,428	(2,101)	(673)	519	(8,342)	(7,823)
Certificate accounts	(6,934)	(11,266)	(18,200)	2,641	(13,815)	(11,174)
Total deposits	(5,493)	(13,880)	(19,373)	2,911	(25,290)	(22,379)
Securities sold under agreements to repurchase	(96)	(95)	(191)	(73)	(2,389)	(2,462)
Advances from FHLB	(5,015)	(10,298)	(15,313)	(25,824)	(8,596)	(34,420)
Subordinated debentures	(26)	(130)	(156)	(154)	(499)	(653)
	(5,137)	(10,523)	(15,660)	(26,051)	(11,484)	(37,535)
Total interest bearing liabilities	(10,630)	(24,403)	(35,033)	(23,140)	(36,774)	(59,914)
Change in tax equivalent interest income	$ (15,646)	3,656	(11,990)	(13,296)	(17,028)	(30,324)

(a) Changes attributable to rate/volume have been allocated to volume.
(b) Average balances were based on amortized cost.

The decline in net interest income during 2010 was due primarily to the decline in average earning assets and a reduction in average yields on earning assets partially offset by lower rates on interest-bearing liabilities. Average earning assets declined by $604.3 million, reducing net interest income by $47.0 million. Average interest-bearing liabilities declined by $659.6 million, reducing interest expense by $35.0 million. Average interest-bearing liabilities declined more than average earnings assets due to an increase in non-interest bearing demand deposits of $93.2 million. The lower yields on total earning assets reduced interest income by $20.7 million while declines in interest rates on total interest bearing liabilities reduced interest expense by $24.4 million. As discussed above, the lower yields on interest earning assets reflect the declining interest rate environment as well as the funds obtained from the repayment of higher yielding securities and loans being reinvested in lower yielding short term investments. The lower rates on interest bearing liabilities reflect the maturity and prepayments of higher rate FHLB advances and other wholesale borrowings funded by the reduction in interest earning assets, and the lower interest rates on deposits due to industry trends.

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 $765.6 million, reducing net interest income by $90.2 million. Average interest-bearing liabilities declined by $781.8 million, reducing interest expense by $59.9 million. The lower yields on total earning assets reduced interest income by $53.8 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 of the significant decline during 2009 of LIBOR and prime interest rate indices on the interest rates on our loans in our portfolio.

BankAtlantic s Asset Quality

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

	For the Years Ended December 31,				
	2010	2009	2008	2007	2006
Balance, beginning of period	$ 173,588	125,572	94,020	43,602	41,192
Charge-offs:					
Commercial non-mortgage	(996)	(516)	-	-	-
Commercial real estate loans	(86,426)	(96,300)	(60,057)	(12,562)	(7,000)
Small business	(7,873)	(9,105)	(4,886)	(2,554)	(951)
Consumer loans	(39,483)	(40,223)	(28,942)	(7,065)	(681)
Residential real estate loans	(18,305)	(23,264)	(4,816)	(461)	(239)
Continuing loan products	(153,083)	(169,408)	(98,701)	(22,642)	(8,871)
Discontinued loan products	-	(13)	-	-	(34)
Total charge-offs	(153,083)	(169,421)	(98,701)	(22,642)	(8,905)
Recoveries:					
Commercial non-mortgage	98	492	7	96	291
Commercial real estate loans	1,337	700	-	304	419
Small business	626	494	428	417	566
Consumer loans	1,011	561	365	578	536
Residential real estate loans	1,166	912	397	15	348
Continuing loan products	4,238	3,159	1,197	1,410	2,160
Discontinued loan products	649	34	113	808	581
Total recoveries	4,887	3,193	1,310	2,218	2,741
Net charge-offs	(148,196)	(166,228)	(97,391)	(20,424)	(6,164)
Provision for loan losses	138,825	214,244	135,383	70,842	8,574
Transfer to held for sale	(2,908)				
Transfer specific reserves to Parent Company	-	-	(6,440)	-	-
Balance, end of period	$ 161,309	173,588	125,572	94,020	43,602

The decline in the provision for loan losses during the year ended December 31, 2010 as compared to 2009 reflects lower charge-offs, declines in loan balances and what we believe are indicators of slowing declines in property values during 2010 compared to 2009. 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, and the substantial downturn in the homebuilding industry coupled with 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 almost 10% and the Florida unemployment rate increased from 4.1% at December 31, 2007 to 7.6% at December 31, 2008, and stood at 11.8% at December 31, 2009. The Florida and national unemployment rates were 11.7% and 9.4%, respectively, at December 31, 2010. 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 the stabilizing of the unemployment rate and the relative slowing of the rate of property value declines resulted in lower charge-offs and provisions for loan losses during 2010 compared to 2009. However, 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 and 2010 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 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 high unemployment and declining real estate values adversely impacted charge-off trends of commercial real estate, consumer home equity and residential loans. Commercial real estate loan charge-offs during 2010 and 2009 resulted primarily from our commercial residential development loans. The majority of the commercial residential loan charge-offs during 2010 and 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 2010; however, this may not be the case, and we may experience the same or higher levels of charge-offs and non-accrual loans in this category. With respect to commercial nonresidential loans and small business loans, we expect that any impact on charge-offs in these loan categories will depend in large part on the Florida economy. However, if market conditions do not improve or deteriorate further, we would expect additional credit losses in these loan portfolios.

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

	As of December 31,				
	2010	2009	2008	2007	2006
NON-PERFORMING ASSETS					
Non-accrual assets:					
Tax certificates	$ 3,636	2,161	1,441	2,094	632
Residential (1)	86,538	76,401	34,734	8,678	2,629
Commercial real estate (2)	243,299	167,867	161,947	165,818	-
Commercial non-mortgage	16,123	18,063	-	-	-
Small business	10,879	9,338	4,644	877	244
Consumer	14,120	14,451	6,763	3,218	1,563
Total non-accrual assets (3)	374,595	288,281	209,529	180,685	5,068
Repossessed assets:					
Residential real estate	16,418	9,607	2,285	413	617
Commercial real estate	44,136	25,442	16,500	16,763	21,130
Small business real estate	3,693	580	260	-	-
Consumer real estate	81	306	-	40	-
Other repossessed assets	-	10	-	-	-
Total repossessed assets	64,328	35,945	19,045	17,216	21,747
Total non-performing assets	$ 438,923	324,226	228,574	197,901	26,815
Total non-performing assets as a percentage of:					
Total assets	9.82	6.82	4.00	3.21	0.43
Loans, tax certificates and real estate owned	13.08	8.13	4.95	4.10	0.55
TOTAL ASSETS	$ 4,469,168	4,755,122	5,713,690	6,161,962	6,187,122
TOTAL LOANS, TAX CERTIFICATES AND NET REAL ESTATE OWNED	$ 3,355,711	3,987,248	4,620,956	4,827,114	4,907,660
Allowance for loan losses	$ 161,309	173,588	125,572	94,020	43,602
Tax certificates	$ 89,789	110,991	213,534	188,401	199,090
Allowance for tax certificate losses	$ 8,811	6,781	6,064	3,289	3,699
ACCRUING IMPAIRED LOANS					
Contractually past due 90 days or more (4)	$ -	9,960	15,721	-	-
Performing impaired loans (5)	11,880	6,150	-	-	163
Troubled debt restructured loans	96,006	107,642	25,843	2,488	-
TOTAL ACCRUING IMPAIRED LOANS	$ 107,886	123,752	41,564	2,488	163

(1) Includes $38.9 million, $41.3 million and $20.8 million of interest-only residential loans as of December 31, 2010, 2009 and 2008, respectively.
(2) Excluded from the above table as of December 31, 2010, 2009 and 2008 were $14.5 million, $44.9 million and $79.3 million, respectively, of commercial residential loans that were transferred to a work-out subsidiary of the Parent Company in March 2008.
(3) Includes $143.8 million, $45.7 million and $2.3 million of troubled debt restructured loans as of December 31, 2010, 2009 and 2008, respectively.
(4) The majority of these loans had matured and the borrowers continue to make payments under the matured loan agreement or

the loan had sufficient collateral to prevent a loss.

(5) BankAtlantic believes that it will ultimately collect the principal and interest associated with these loans; however, the timing of the payments may not be in accordance with the contractual terms of the loan agreement.

Non-performing assets increased from $26.8 million at December 31, 2006 to $438.9 million at December 31, 2010 resulting primarily from a substantial increase in non-accrual loans.

The increase in non-accrual loans during the three year period ended December 31, 2010 reflects the general deterioration in the national and Florida economy, high unemployment, and the depressed residential real estate market as well as longer than historical time-frames to foreclose on and sell homes. Additionally, during 2010, the commercial non-residential real estate market continued to deteriorate resulting in an increase in troubled shopping centers, storage facilities, and office buildings. Residential non-accrual loans increased due to prolonged foreclosure time frames, declining property values and high unemployment rates. Non-accrual commercial non-mortgage and small business loans increased primarily due to the deteriorating financial condition of certain of our borrowers, which we believe is the result of Florida s depressed economy and a reduction in consumer spending associated with high unemployment. The increase in commercial real estate non-accrual loans during the three year period ended December 31, 2010 reflects the migration of commercial residential loans to a non-accrual classification during the entire period as well as commercial non-residential loans migrating to non-accrual status during the year ended December 31, 2010.

The higher repossessed assets balances at December 31, 2010 compared to prior periods reflect increased foreclosures of commercial real estate and residential loans. BankAtlantic attempts to modify loans to credit worthy borrowers; however, the majority of BankAtlantic s non-accrual commercial real estate loans are collateral dependent resulting in BankAtlantic having limited alternatives on such loans other than initiating the foreclosure process. We also initiate the foreclosure process on non-accrual residential loans upon unsuccessful loan modification attempts. As a consequence of the increase in non-accrual loans, we expect repossessed assets to significantly increase in the foreseeable future.

BankAtlantic s other accruing impaired loans at December 31, 2010 and 2009 significantly increased compared to prior periods primarily due to an increase in troubled debt restructured loans (TDR). In response to current market conditions, BankAtlantic has developed loan modification programs for certain borrowers experiencing financial difficulties. During the year ended December 31, 2010 and 2009, BankAtlantic modified the terms of certain commercial, small business, residential and consumer home equity loans. Generally, the concessions made to borrowers experiencing financial difficulties included the reduction of the loan s contractual interest rate, conversion of amortizing loans to interest only payments or the deferral of interest payments to the maturity date of the loan. Loans that are not delinquent at the date of TDR modification are generally not placed on non-accrual. TDR modified non-accrual loans are not returned to an accruing status and BankAtlantic does not reset days past due on delinquent TDR modified loans until the borrower demonstrates a sustained period of performance under the TDR modified terms, which is generally performance over a six month period. However, TDR modification of loans may not result in increased collections from the borrower, and TDR modified loans which return to an accruing status may subsequently be returned to nonaccrual status.

BankAtlantic s troubled debt restructured loans by loan type were as follows (in thousands):

	As of December 31,					
	2010		2009		2008	
	Non-accrual	**Accruing**	**Non-accrual**	**Accruing**	**Non-accrual**	**Accruing**
Commercial	$ 130,783	70,990	32,225	83,767	-	25,843
Small business	2,990	9,401	4,520	7,325	2,289	-
Consumer	3,070	12,638	1,774	12,969	-	-
Residential	6,917	2,977	7,178	3,580	-	-
Total	$ 143,760	96,006	45,697	107,641	2,289	25,843

BankAtlantic experienced unfavorable credit quality trends during 2010 in commercial loans collateralized by commercial retail income producing properties which make up the largest component of BankAtlantic s non-accrual commercial real estate loans. As a consequence, we may experience higher credit losses in this loan class in future periods.

BankAtlantic s commercial loan portfolio includes large loan balance lending relationships. Seven relationships accounted for 54% of our $243.3 million of non-accrual commercial real estate loans as of December 31, 2010. The following table outlines general information about these relationships as of December 31, 2010 (in thousands):

Relationships	Unpaid Principal Balance	Recorded Investment	Specific Reserves	Date loan Originated	Date Placed on Nonaccrual	Default Date (3)	Collateral Type	Date of Last Full Appraisal
Residential Land Developers								
Relationship No. 1 (1)	$ 41,233	16,858	358	Q3-2004	Q4-2008	Q4-2008	Land A&D (4)	Q4-2010
Commercial Land Developers								
Relationship No. 2	14,000	14,000	6,975	Q2-2005	Q4-2010	(2)	Land A&D (4)	Q4-2009
Relationship No. 3	26,210	26,210	10,657	Q1-1995	Q4-2009	Q4-2009	Land A&D (4)	Q2-2010
Relationship No. 4	17,777	17,777	8,634	Q3-2006	Q1-2010	Q1-2010	Commercial mixed-use	Q4-2010
Total	57,987	57,987	26,266					
Commercial Non-Residential Developers								
Relationship No. 5	15,403	15,403	1,895	Q3-2007	Q4-2010	(2)	Construction 5+	Q1-2010
Relationship No. 6	25,079	25,079	8,359	Q3-2006	Q2-2010	(2)	Self Storage	Q2-2010
Relationship No. 7	16,331	16,331	4,147	Q1-2007	Q3-2010	(2)	Shopping Center	Q4-2010
Total	56,813	56,813	14,401					
Total of Large Relationships	156,033	131,658	41,025					

(1) During 2010 and 2009, BankAtlantic recognized partial charge-offs on relationship No. 1 of $14.6 million and $8.1 million.
(2) A modification was executed, and the loan is reported as a troubled debt restructured loan, but is not in default as of December 31, 2010.
(3) The default date is defined as the date of the initial missed payment prior to default.
(4) Acquisition and development (A&D).

The loans that comprise the above relationships are all collateral dependent. As such, we established specific reserves or recognized partial charge-offs on these loans based on our determination of the fair value of the collateral less costs to sell. The fair value of the collateral was determined using unadjusted third party appraisals for all relationships. BankAtlantic performs quarterly impairment analyses on these credit relationships and may reduce appraised values if market conditions significantly deteriorate subsequent to the appraisal date. However, BankAtlantic s policy is to obtain a full appraisal within one year from the date of the prior appraisal, unless the loan is in the process of foreclosure. A new appraisal is obtained at the date of foreclosure.

Our residential loan portfolio does not include negative amortization, option ARM or subprime products; however, the majority of our residential loans are purchased residential jumbo loans and certain of these loans potentially have outstanding loan balances significantly higher than related collateral values as a result of real estate value declines in the housing markets. Additionally, loans that were originated during 2005, 2006 and 2007 have experienced greater deterioration in collateral value than loans originated in prior years resulting in higher loss experiences in these groups of loans. Also, we have residential loans in California, Florida, Arizona and Nevada, which are states that have experienced especially elevated foreclosures and delinquency rates.

Our purchased residential loan portfolio includes interest-only loans. The terms of these loans provide for possible future increases in a borrower s loan payments when the contractually required repayments increase due to interest rate changes and the required amortization of the principal amount begins. These payment increases could affect a borrower s ability to meet the debt service on or repay the loan and lead to increased defaults and losses which could result in additional provisions for residential loan losses.

At December 31, 2010, BankAtlantic s residential loan portfolio included $550.2 million of interest-only loans. Approximately $54.9 million of interest only residential loans became fully amortizing during the year ending December 31, 2010 and $52.1 million of interest-only residential loans are scheduled to become amortizing loans during the year ending December 31, 2011.

The following table presents relevant data regarding our purchased residential loans by year of origination segregated by amortizing and interest only loans (dollars in thousands):

	Amortizing Purchased Residential Loans							
Year of Origination	Unpaid Principal	Recorded Investment	LTV at Origination	Current LTV (1)	FICO Scores at Origination	Current FICO Scores (2)	Amount Delinquent	Debt Ratios at Origination (3)
2007	$ 42,249	40,916	65.04%	115.05%	741	740	6,273	33.32%
2006	49,081	47,887	70.79%	122.31%	736	721	5,709	35.83%
2005	67,760	64,927	73.88%	116.24%	725	714	11,851	35.83%
2004	294,404	292,274	68.39%	82.97%	733	726	23,025	34.79%
Prior to 2004	135,924	135,732	67.68%	60.06%	732	728	5,757	34.31%

	Interest Only Purchased Residential Loans							
Year of Origination	Unpaid Principal	Recorded Investment	LTV at Origination	Current LTV (1)	FICO Scores at Origination	Current FICO Scores (2)	Amount Delinquent	Debt Ratios at Origination (3)
2007	$ 78,271	75,357	72.49%	129.40%	750	741	15,134	34.08%
2006	182,168	176,126	73.89%	124.26%	740	741	30,198	35.00%
2005	155,098	153,978	70.57%	118.40%	740	744	5,616	34.42%
2004	74,016	73,611	70.24%	99.12%	744	717	6,877	32.13%
Prior to 2004	71,174	71,174	58.42%	80.59%	742	733	2,197	31.90%

The following table presents relevant data regarding our purchased residential loans by geographic area segregated by amortizing and interest only loans (dollars in thousands):

Amortizing Purchased Residential Loans

State	Unpaid Principal	Recorded Investment	LTV at Origination	Current LTV (1)	FICO Scores at Origination	Current FICO Scores (2)	Amount Delinquent	Debt Ratios at Origination (3)
Arizona	$ 10,706	10,510	68.02%	126.62%	729	735	1,227	32.91%
California	145,772	142,735	68.80%	87.30%	737	734	15,472	35.34%
Florida	85,754	83,537	69.37%	103.52%	723	710	12,059	35.08%
Nevada	6,585	6,585	71.29%	116.93%	743	734	570	36.62%
Other States	354,626	352,387	68.50%	82.71%	733	731	23,762	34.11%

Interest Only Purchased Residential Loans

State	Unpaid Principal	Recorded Investment	LTV at Origination	Current LTV (1)	FICO Scores at Origination	Current FICO Scores (2)	Amount Delinquent	Debt Ratios at Origination (3)
Arizona	$ 17,180	16,746	71.21%	148.12%	758	751	2,772	31.61%
California	161,445	158,305	70.44%	108.90%	741	736	21,153	33.78%
Florida	36,528	33,835	69.63%	141.25%	746	733	12,081	32.36%
Nevada	8,727	7,291	74.66%	197.75%	741	723	4,559	34.64%
Other States	336,847	334,067	70.20%	110.51%	741	742	19,455	34.31%

(1) Current loan-to-values (LTV) for the majority of the portfolio were obtained as of the first quarter of 2010 from automated valuation models.
(2) Current FICO scores based on borrowers for which FICO scores were available as of the second quarter of 2010.
(3) Debt ratio is defined as the portion of the borrower s income that goes towards debt service.

The table below presents the allocation of the allowance for loan losses by various loan classifications (Allowance for Loan Losses), the percent of allowance to each loan category (ALL to gross loans percent) and the percentage of loans in each category to gross loans (Loans to gross loans percent). The allowance shown in the table should not be interpreted as an indication that charge-offs in future periods will occur in these amounts or percentages or that the allowance accurately reflects future charge-off amounts or trends (dollars in thousands):

	December 31, 2010			December 31, 2009			December 31, 2008		
	ALL by category	ALL to gross loans in each category	Loans by category to gross loans	ALL by category	ALL to gross loans in each category	Loans by category to gross loans	ALL by category	ALL to gross loans in each category	Loans by category to gross loans
Commercial non-mortgage	$ 10,786	8.05%	4.14%	4,515	2.94%	3.94%	3,173	2.22%	3.15%
Commercial real estate	83,029	8.70	29.46	91,658	7.71	30.49	75,850	5.44	30.69
Small business	11,514	3.80	9.35	7,998	2.56	8.02	8,133	2.49	7.20
Residential real estate	23,937	1.96	37.80	27,000	1.74	39.85	6,034	0.31	42.56

Consumer	32,043	5.14	19.25	42,417	6.14	17.70	32,382	4.35	16.40
	$ 161,309	4.98	100.00	173,588	4.45	100.00	125,572	2.76	100.00

	December 31, 2007			December 31, 2006		
	ALL by category	ALL to gross loans in each category	Loans by category to gross loans	ALL by category	ALL to gross loans in each category	Loans by category to gross loans
Commercial non-mortgage	$ 2,668	2.04%	2.65%	2,359	1.50%	3.07%
Commercial real estate	72,948	4.51	32.78	24,632	1.28	37.54
Small business	4,576	1.44	6.43	4,495	1.58	5.57
Residential real estate	4,177	0.19	43.82	4,242	0.20	42.33
Consumer	9,651	1.37	14.32	7,874	1.34	11.49
	$ 94,020	1.90	100.00	43,602	0.85	100.00

Included in allowance for loan losses in the above table were specific reserves. BankAtlantic s specific reserves by loan type were as follows (in thousands):

	As of December 31,				
	2010	2009	2008	2007	2006
Commercial non-mortgage	$ 9,020	174	-	594	-
Commercial real estate	62,986	42,523	29,208	17,015	-
Small business	2,936	753	300	200	-
Consumer	1,791	4,621	-	-	-
Residential	12,034	8,784	-	-	-
Total	$ 88,767	56,855	29,508	17,809	-

Residential real estate and home equity consumer loans that are 120 days past due are generally written down to estimated collateral value less costs to sell. As a consequence of longer than historical timeframes to foreclose and sell residential real estate and the rapid decline in residential real estate values where our collateral is located, BankAtlantic began performing quarterly impairment evaluations during 2009 on residential real estate and real estate secured consumer loans that were written down in prior periods to determine whether specific reserves were necessary for further estimated market value declines. BankAtlantic also may establish specific reserves on loans that are individually evaluated for impairment (generally commercial and small business loans). The significant increase in commercial loan specific reserves reflects declines in collateral values since December 31, 2006.

Commercial real estate loans account for the majority of the allowance for loan losses for each of the years in the five year period ended December 31, 2010. The commercial real estate loan allowance as of December 31, 2006 was associated with a slow-down in the homebuilding industry. The substantial increase in the commercial real estate allowance for loan losses during 2007, 2008 and 2009 resulted in large part from a rapid and prolonged deterioration in the Florida real estate market, and the significant downturn in the residential real estate market nationally. During 2008 and 2007, home sales and median home prices declined significantly on a year-over-year basis in all major metropolitan areas in Florida, with conditions deteriorating rapidly during the fourth quarter of 2008 in response to the overall loss of confidence in the financial markets. The housing industry was experiencing a dramatic downturn and market conditions in the housing industry continued to worsen throughout 2008 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. During 2009, the decline in median home prices slowed and medium to low priced home sales began to recover from the 2008 lows. Also, during 2009 we began experiencing higher levels of commercial non-residential real estate classified assets and charge-offs resulting from declining real estate values and financial difficulties of our borrowers who experienced reduced cash flows from declining rental income. Accordingly, the allowance for loan losses for commercial real estate loans was increased to reflect higher estimated losses for this loan product as the then current economic and market conditions resulted in unfavorable delinquency trends. During 2010, we partially charged off or placed specific reserves on a significant portion of our commercial residential and commercial land loans. In addition, the balances of our commercial real estate loans declined significantly and the migration of loans to adversely classified risk ratings slowed resulting in a decrease in the commercial real estate quantitative allowance for loan losses at December 31, 2010 compared to December 31, 2009.

There are three categories of loans in our commercial residential loan portfolio that have resulted in the majority of losses in our commercial real estate loan portfolio. The loan balance in these categories aggregated $132.9 million at December 31, 2010 compared to $226.9 million at December 31, 2009. These categories are as follows:

The builder land bank loan category consisted of 4 loans and aggregated $10.6 million at December 31, 2010 compared to 7 loans aggregating $43.7 million at December 31, 2009. This 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, the borrower may not be in a position to service the loan, with the likely result being an increase in loan losses in this category. All four loans in this category totaling $10.6 million were on nonaccrual at December 31, 2010 compared to six loans in this category totaling $42.6 million on non-accrual at December 31, 2009. BankAtlantic established $1.5 million and $23.2 million of specific reserves on these loans as of December 31, 2010 and 2009, respectively.

The land acquisition and development loan category consisted of 24 loans and aggregated $118.8 million at December 31, 2010 compared to 27 loans aggregating $171.9 million at December 31, 2009. This loan category generally consists of loans secured by residential land which is intended to be developed by the borrower and sold to homebuilders. These loans are generally underwritten more stringently than builder land bank loans, as an option agreement with a regional or national builder did not exist at the origination date. Thirteen loans in this category totaling $61.9 million were on nonaccrual at December 31, 2010 compared to ten loans totaling $60.2 million on non-accrual at December 31, 2009. BankAtlantic established $14.1 million and $7.1 million of specifics reserves on these loans as of December 31, 2010 and 2009, respectively.

The land acquisition, development and construction loan category consisted of 3 loans and aggregated $3.5 million at December 31, 2010 compared to 6 loans aggregating $11.3 million at December 31, 2009. This category generally consists of loans secured by residential land which will be fully developed by the borrower who may also construct homes on the property. These loans generally involve property with a longer investment and development horizon, are guaranteed by the borrower or individuals and/or are secured by additional collateral or equity such that it is expected that the borrower will have the ability to service the debt for a longer period of time. There were no loans in this category on nonaccrual at December 31, 2010 compared to one loan totaling $3.8 million on non-accrual at December 31, 2009.

During 2010, BankAtlantic experienced heightened delinquencies and charge-offs associated with commercial non-residential loans. Commercial non-residential loans generally represent permanent financing for income producing properties and financing for the construction of income producing properties. At December 31, 2010, BankAtlantic had $133.5 million of commercial non-residential loans on nonaccrual compared to $27.8 million at December 31, 2009.

The allowance for consumer loans has increased for each of the years in the four year period ended December 31, 2009, and declined at December 31, 2010 from 2009 levels. The increase during 2006 was largely associated with the growth in outstanding home equity loans throughout the period and the change in policy during 2004 to permit higher loan-to-value ratio loans based on Beacon scores. The increase in the allowance for loan losses for consumer loans during 2007 compared to 2006 reflects unfavorable home equity loan delinquency trends, higher non-performing home equity loans and a significant increase in charge-offs during the fourth quarter of 2007. The significant increase in the allowance for consumer loan losses during 2008 compared to 2007 was primarily due to a significant increase in consumer home equity loan charge-offs, higher non-performing loans and adverse delinquency trends. The adverse delinquency trends continued during 2009 as residential property values in Florida continued to decline. The decrease in the allowance for loan losses at December 31, 2010 compared to 2009 reflects what we believe to be declining charge-off and delinquency trends during 2010.

During 2007, the residential allowance for loan losses was maintained at 2006 levels as the portfolio experienced minimal credit losses and no adverse delinquency trends. During 2008, as property values nationwide declined and unemployment rates increased, our residential loan portfolio began experiencing unfavorable delinquency trends and increased charge-offs. These unfavorable delinquency trends accelerated throughout 2009 and remained at 2009 levels during 2010. Jumbo residential loan credit trends for loans originated in 2005, 2006 and 2007 displayed higher loss severity than loans originated in other years and losses on prime credit quality jumbo residential loans out-paced losses on other prime based loans during 2009. As a consequence of these adverse trends, the residential allowance for loan losses significantly increased at December 31, 2009 compared to the same 2008 and 2007 periods. During 2010, residential loan delinquencies and the loss severity on BankAtlantic s non-performing residential loans stabilized resulting in a decline in the residential quantitative allowance for losses at December 31, 2010 compared to December 31, 2009. Residential home prices are forecasted to decline slightly in most markets during 2011 and improve during the year ended December 31, 2012. A decline in residential home prices during 2011 may also result in additional delinquencies and losses in our commercial residential real estate portfolio in subsequent periods.

The allowance for small business loan losses during 2007 was maintained at 2006 levels as delinquency trends and credit losses remained unchanged. As economic conditions worsened during the latter half of 2008, we began experiencing adverse trends and higher credit losses in our small business loan portfolio. In response to these adverse trends, we increased the small business allowance for loan losses significantly at December 31, 2008 compared to December 31, 2007. During 2009, the small business allowance for loan losses was maintained at 2008 levels as delinquencies and charge-offs trends stabilized. During 2010, small business delinquencies remained at 2009 levels while charge-offs declined; however, criticized small business loans increased from 2009 levels resulting in an increase in the small business allowance for loan losses at December 31, 2010 compared to December 31, 2009.

As discussed in Item 1A. under Risk Factors, and elsewhere in this annual report on Form 10-K, in the event of a sustained decline in real estate markets, and residential real estate in particular, and a sustained slowdown in the economy in general, we may experience further deterioration in the credit quality and performance of our loan portfolio. As a consequence, if conditions do not improve, we will experience an increase in levels of non-performing assets and these increases will likely be experienced across various loan categories.

BankAtlantic s Non- Interest Income

The following table summarizes the significant components of and changes in non-interest income (in thousands):

	For the Years Ended December 31,			Change 2010 vs.	Change 2009 vs.
	2010	**2009**	**2008**	**2009**	**2008**
Service charges on deposits	$ 59,844	75,739	93,905	(15,895)	(18,166)
Other service charges and fees	30,140	29,542	28,959	598	583
Securities activities, net	2,864	11,161	2,395	(8,297)	8,766
Income from unconsolidated subsidiaries	-	479	1,509	(479)	(1,030)
Gains on sales of loans	259	467	265	(208)	202
Other	12,655	11,904	10,275	751	1,629
Non-interest income	$ 105,762	129,292	137,308	(23,530)	(8,016)

The lower revenues from service charges on deposits during each of the years in the three year period ended December 31, 2010 primarily resulted from lower overdraft fee income. This decrease in overdraft fee income reflects a decline in the total number of accounts which incurred overdraft fees and a decrease in the frequency of overdrafts per deposit account. We believe that the decline in the number of accounts incurring overdraft fees reflected our efforts to seek customers who maintain deposit accounts with higher balances, regulatory changes, and changes in customer behavior. The Federal Reserve adopted new overdraft rules (effective July 1, 2010 for new customers and August 15, 2010 for existing customers), which among other requirements, prohibit banks from automatically enrolling customers in overdraft protection programs. Additionally, Congress has established a consumer protection agency which may further limit the assessment of overdraft fees. In response to the changing industry practices and regulations, BankAtlantic during the fourth quarter of 2010 began converting certain deposit products to fee-based accounts that encourage higher checking account balances and the use of multiple bank products in order to eliminate or reduce fees. Additionally, during the first quarter of 2011 BankAtlantic revised its overdraft policies instituting a cap on the number of overdrafts, eliminating overdraft charges on small overdraft amounts and lowering the overdraft protection amount per day. We anticipate that these trends will continue and that our overdraft fee income will be lower in future periods partially offset by increased fees from the new deposit products and expanded use of the banks services by deposit customers.

The increase in service charges and fees during the year ended December 31, 2010 compared to the same 2009 period primarily resulted from higher interchange income from the use of check cards by our customers partially offset by lower fee income from our cruise ship operations. The increased interchange income reflects higher debit card transaction volume for 2010 compared to 2009.

The increase in other service charges and fees during 2009 compared to 2008 was primarily due to higher fees associated with a new vendor contract and an increase in cruise ship surcharge income associated with an increased number of automated teller machines (ATM) on cruise ships.

Securities activities, net during the year ended December 31, 2010 includes $3.1 million of gains from the sales of $43.8 million of agency securities and $11.9 million of municipal securities, respectively. The net proceeds from the sales of securities were used to enhance BankAtlantic s liquidity. BankAtlantic also recognized a $0.3 million loss in connection with foreign currency derivative contracts entered into as an economic hedge of foreign currency in cruise ship ATMs.

Securities activities, net during the year ended December 31, 2009 includes $11.2 million of gains from the sale of $284.0 million of agency securities. The net proceeds from the sales of securities were used to pay down FHLB advances.

Securities activities, net during the year ended December 31, 2008 includes $1.0 million of gains from the sale of MasterCard International stock obtained in MasterCard s initial public offering in September 2006. Additionally, BankAtlantic sold $210.4 million of agency securities and realized gains of $0.9 million. BankAtlantic also recognized gains of $0.4 million in connection with the execution of covered calls on its agency securities portfolio.

Income from unconsolidated subsidiaries for 2009 and 2008 represents $0.5 million and $0.5 million, respectively, of equity earnings in a joint venture that factors receivables. The factoring joint venture was consolidated as of January 1, 2010 upon the implementation of new accounting guidance for the consolidation of variable interest entities. The Company has limited the funding of the factoring joint venture to a maximum of $10 million.

Gains on loan sales during each of the years in the three year period ended December 31, 2010 were primarily from the sale of residential loans originated with the assistance of independent mortgage brokers. During the year ended December 31, 2010, BankAtlantic transferred $71.7 million of commercial loans to held for sale and sold $52.0 million of those loans.

Other non-interest income consisted of the following (in thousands):

	For the Years Ended December 31,		
	2010	**2009**	**2008**
Broker commissions	$ 3,901	3,969	2,100
Safe deposit box rental	1,200	1,183	1,136
Income from leases	1,149	1,127	1,291
Fee income	1,997	1,868	1,946
Other	4,408	3,757	3,802
Total other income	$ 12,655	11,904	10,275

The increase in other non-interest income for the year ended December 31, 2010 compared to the same 2009 period was primarily the result of $1.0 million received from BankAtlantic s on-line banking service provider as a result of business interruption issues relating to the conversion to the service provider s products. The above increases in other non-interest income were partially offset by $0.1 million of foreign currency exchange losses associated with foreign currency held in cruise ship ATMs and lower commissions from sales of investment products during 2010 compared to 2009.

The increase in other non-interest income for the year ended December 31, 2009 compared to the same 2008 period was primarily the result of higher commissions earned on the sale of investment products to BankAtlantic s customers. Commissions from the sales of investment products for the year ended December 31, 2010, 2009 and 2008 were $3.9 million, $4.0 million and $2.1 million, respectively.

BankAtlantic s Non- Interest Expense

The following table summarizes the significant components and changes in non-interest expense (in thousands):

	For the Years Ended December 31,			Change 2010 vs.	Change 2009 vs.
	2010	2009	2008	2009	2008
Employee compensation and benefits	$ 91,131	103,209	125,851	(12,078)	(22,642)
Occupancy and equipment	53,585	58,574	64,774	(4,989)	(6,200)
Advertising and promotion	8,305	8,395	16,056	(90)	(7,661)
Check losses	2,421	4,188	8,767	(1,767)	(4,579)
Professional fees	17,365	12,574	10,979	4,791	1,595
Supplies and postage	3,813	4,084	4,580	(271)	(496)
Telecommunication	2,513	2,464	4,430	49	(1,966)
Provision for tax certificates	4,552	3,388	7,286	1,164	(3,898)
Loss on sale of real estate held for development and sale	1,228	-	92	1,228	(92)
Impairment of real estate held for development and sale	-	3,871	1,169	(3,871)	2,702
Cost associated with debt redemption	60	7,463	1,238	(7,403)	6,225
Lease termination costs	3,601	2,156	199	1,445	1,957
Employee termination costs	3,971	2,024	2,171	1,947	(147)
Impairment of real estate held for sale	2,604	1,158	4,758	1,446	(3,600)
Impairment of real estate owned	6,064	4,124	1,465	1,940	2,659
Impairment of assets held for sale	4,469	-	-	4,469	-
Impairment of goodwill	-	9,124	48,284	(9,124)	(39,160)
FDIC special assessment	-	2,428	-	(2,428)	2,428
Gain (loss) on sale of real estate	997	(342)	124	1,339	(466)
Amortization of intangible assets	1,248	1,303	1,359	(55)	(56)
Other	28,388	28,614	27,041	(226)	1,573
Total non-interest expense	$ 236,315	258,799	330,623	(22,484)	(71,824)

BankAtlantic s non-interest expense for 2010, 2009 and 2008 was $236.3 million, $258.8 million and $330.6 million, respectively. Excluding $20.8 million, $29.9 million and $59.6 million of impairments and costs associated with debt redemptions, BankAtlantic s non-interest expense would have been $215.5 million, $228.9 million and $271.1 million, for 2010, 2009 and 2008, respectively. The reduction in non-interest expense during the three year period reflects management s efforts to reduce expenses and increase operating efficiencies. In response to the adverse economic environment, we consolidated certain back-office facilities, sold five central Florida stores, renegotiated vendor contracts, continued staff reductions, out-sourced certain back-office functions and initiated other targeted expense reduction programs. In January 2011, we agreed to sell 19 branches and 2 related facilities in the Tampa area and the associated deposits to PNC. The transaction is expected to close during June 2011 and we expect the sale of the Tampa branches to reduce annual non-interest expenses by approximately $15 to $20 million. Management continues to explore opportunities to further reduce operating expenses and increase operating efficiencies; however, we may not be successful in these efforts.

The substantial decline in employee compensation and benefits during each of the years in the three year period ended December 31, 2010 resulted primarily from workforce reductions, normal attrition, as well as declines in personnel related to reduced store lobby and call center hours. As a consequence of the work force reductions and normal attrition, the number of full-time equivalent employees declined from 2,385 at December 31, 2007 to 1,283 at December 31, 2010, or 46%. The decline in the work force resulted in lower employee benefits, payroll taxes and recruitment advertising. Also contributing to the decline in compensation was lower incentive bonuses during 2010 compared to 2009 and 2008. Incentive bonuses were $2.5 million, $6.1 million and $6.2 million during the years ended December 31, 2010, 2009 and 2008, respectively. BankAtlantic incurred lower employee benefit costs related to the discontinuation of the 401(k) Plan employer match and the employee profit sharing plan. Costs associated with these benefit Plans were $0, $0.7 million and $4.9 million for the years ended December 31, 2010, 2009 and 2008, respectively. Pension costs associated with BankAtlantic s frozen defined benefit plan were $1.3 million and $2.0 million during 2010 and 2009 compared to a pension benefit of $0.2 million during 2008. Share-based compensation expense was $0.8 million, $2.0 million and $1.2 million during the years ended December 31, 2010, 2009 and 2008, respectively. The reduction in share based compensation expense reflects that no share based awards were granted to employees during 2009 and 2008 and the reversal of prior period share based compensation expense as the forfeiture rate on outstanding options was increased from 18% to 50% reflecting the significant reduction in the workforce throughout the three year period.

The decline in occupancy and equipment for each of the years in the three years ended December 31, 2010 primarily resulted from the consolidation of back-office facilities resulting in lower depreciation and rent expense. Depreciation and rent expenses were $16.2 million and $11.4 million for the year ended December 31, 2010 compared to $18.2 million and $12.8 million during year ended December 31, 2009, respectively, and $20.7 million and $14.6 million, respectively, during the year ended December 31, 2008. The remaining decline in occupancy and equipment expenses was primarily due to lower building maintenance, utilities and real estate taxes during the 2010 period compared to the same 2009 and 2008 periods.

During the year ended December 31, 2009, BankAtlantic modified its marketing focus from growing deposit account volume to enhancing BankAtlantic s relationship with customers. As a result, BankAtlantic significantly reduced direct mail advertising and reduced gifts to customers upon the opening of deposit accounts. Direct mail advertising and customer gift expenses declined from $10.1 million for the year ended December 31, 2008 to $3.2 million and $2.4 million during the same 2009 and 2010 periods.

We believe that the substantial decline in check losses during each of the years in the three year period ended December 31, 2010 primarily related to revisions to our overdraft policies which began in 2008 as well as lower volume of new account growth.

The higher professional fees during the year ended December 31, 2010 compared to the same 2009 period primarily resulted from legal and related costs in connection with the class-action securities litigation and secondarily from legal costs associated with tax certificate litigation, loan modifications and loan work-outs. Legal expenses were $11.4 million during the year ended December 31, 2010 compared to $8.3 million during the same 2009 period. Legal expenses during the year ended December 31, 2010 were partially offset by $4.5 million of insurance reimbursements in connection with the class action securities litigation. During 2010, litigation costs on cases alleging claims covered by insurance exceeded the deductible under our director and officer liability insurance and we began receiving eligible cost reimbursements from the insurance carrier. Insurance claim reimbursements are recognized as a reduction to legal fees when the claim is approved by the insurance carrier. In December 2010 our insurance carrier for claims under our director and officer liability insurance denied insurance coverage in connection with the class action securities litigation for both the defense costs and any unfavorable judgment against the Company on the grounds that the jury found intentional wrongful acts by certain senior executive officers of the Company. While the Company disputes the validity of the denial of coverage, the Company does not expect to receive additional reimbursement for litigation costs associated with the class action securities litigation, unless the Company is able to successfully contest the denial of insurance coverage. Additionally, BankAtlantic engaged consulting firms during 2010 for assistance in process improvements and efficiency initiatives as well as evaluating sources of non-interest income. Consulting fees were $1.5 million during 2010 compared to $0.6 million during the same 2009 period.

The higher professional fees for 2009 compared to 2008 were mainly associated with legal costs in connection with loan modifications, commercial loan work-outs, class-action securities litigation and tax certificate activities litigation.

The lower telecommunication costs for the years ended December 31, 2010 and 2009 compared to the same 2008 period primarily resulted from switching during 2008 to a new vendor on more favorable terms.

The provision for tax certificate losses for each of the years in the three year period ended December 31, 2010 reflect charge-offs and increases in the allowance for tax certificate losses associated with certificates acquired through bulk purchases in markets which are now distressed. We ceased the bulk acquisition of tax certificates and our out-of-state tax certificate portfolio has been reduced through redemptions.

Loss on the sale of real estate held for development and sale during the year ended December 31, 2010 reflects the sale of a real estate project for a loss shown on the above table. The loss on the sale of real estate held for development and sale during the year ended December 31, 2008 reflects the sale of vertical construction associated with the real estate project.

Impairment of real estate held for development and sale during the years ended December 31, 2009 and 2008 represent fair value adjustments to real estate inventory associated with the real estate project described above.

The costs associated with debt redemptions during the year ended December 31, 2010 reflects the prepayment of a $2 million FHLB advance obligation and $0.7 million repayment of a mortgage-backed bond that was scheduled to mature in September 2013.

The costs associated with debt redemptions were the result of prepayment penalties incurred upon the prepayment of $760 million and $692 million of FHLB advances in 2009 and 2008, respectively. The prepayments in 2009 and 2008 were part of our effort to improve our liquidity and net interest margin as short term borrowing interest rates were at historical lows.

Lease termination costs and impairment of real estate held for sale represent impairments associated with the decision to sell properties or terminate leases acquired for future branch expansion prior to December 2007.

Employee termination costs reflect severance charges in connection with workforce reductions in each of the years in the three year period ended December 31, 2010.

Real estate owned impairments during 2010 and 2009 reflect a $3.6 million and $3.1 million write-down associated with a real estate development acquired during the fourth quarter of 2006 when BankAtlantic took possession of the collateral securing a land acquisition and development loan and, secondarily, from write-downs of residential, commercial and tax certificate real estate owned. Impairment of real estate owned during 2008 was primarily associated with properties in distressed markets acquired through tax certificate activities.

The impairment of assets held for sale relates to a management decision to pursue a sale of BankAtlantic s Tampa branches. As a consequence, BankAtlantic reclassified its Tampa office properties and equipment to held-for-sale and recognized a $4.5 million impairment charge at the transfer date.

BankAtlantic tests goodwill for potential impairment annually or during interim periods if impairment indicators exist. Based on the results of an interim impairment evaluation, BankAtlantic recorded an impairment charge of $9.1 million during the three months ended March 31, 2009. BankAtlantic performed its annual goodwill impairment test as of September 30, 2010 and determined that its remaining goodwill of $13.1 million in its capital services reporting unit was not impaired, as the fair value of our capital services reporting unit exceeded the fair value of the net assets by $14.1 million. If market conditions do not improve or deteriorate further, BankAtlantic may recognize additional goodwill impairment charges in future periods.

Based on the results of a goodwill impairment evaluation during 2008, BankAtlantic recorded an impairment charge of $48.3 million. All goodwill in the amount of $31.0 million relating to BankAtlantic s commercial lending reporting unit and all goodwill in the amount of $17.3 million relating to BankAtlantic s community banking reporting unit were determined to be impaired. The impairments in the community banking and commercial lending business units reflect the on-going negative trends in the financial services industry affecting the Company s market capitalization and the credit quality of BankAtlantic s loan portfolios.

In October 2008, the FDIC adopted a restoration plan to restore its insurance fund to a predefined level. In June 2009, the FDIC imposed a special assessment on all depository institutions of five basis points on adjusted total assets. BankAtlantic s portion of the FDIC depository institution special assessment was $2.4 million.

During the year ended December 31, 2010, 2009, and 2008 BankAtlantic sold $25.9 million, $6.4 million and $3.7 million, respectively, of real estate owned for losses and gains as shown on the above table.

Amortization of intangible assets consisted of the amortization of acquired core deposit intangible assets, which are being amortized over an estimated life of ten years.

Other expenses during the year ended December 31, 2010 remained at 2009 levels as higher deposit insurance premiums and the costs to manage and sell real estate owned were partially offset by lower operating expenses. The increase in other non-interest expense for the year ended December 31, 2009 compared to the same 2008 period relates to higher deposit insurance premiums. BankAtlantic s deposit insurance premiums, were $10.1 million, $8.6 million and $2.8 million for the years ended December 31, 2010, 2009 and 2008, respectively. These higher deposit insurance premiums were partially offset by lower general operating expenses relating management s expense reduction initiatives.

BankAtlantic s Provision for Income Taxes

	For the Years Ended December 31,			Change 2010 vs.	Change 2009 vs.
($ in thousands)	2010	2009	2008	2009	2008
Loss before income taxes	$ (118,044)	(180,427)	(135,050)	62,383	(45,377)
Benefit/(provision) for income taxes	2,134	31,719	(31,094)	(29,585)	62,813
BankAtlantic net loss	$ (115,910)	(148,708)	(166,144)	32,798	17,436
Effective tax rate			1.81%	17.58%	-23.02%

Due to BankAtlantic s recent history of losses and the sustained deterioration in economic conditions, BankAtlantic maintains a deferred tax valuation allowance for its entire amount of net deferred tax assets. The benefit for income taxes during 2010 primarily represents a reduction in the deferred tax valuation allowance from continuing operations to reflect the future taxable income associated with unrealized gains in accumulated other comprehensive income. The 2009 benefit for income taxes was due primarily to a change in tax laws in November 2009 that extended the net operating loss carry back period for 2009 taxable losses from two years to five years which resulted in BankAtlantic recognizing a $31.7 million income tax benefit.

The difference between the effective tax rate and the expected federal income tax rate of 35% during 2008 was due primarily to the disallowance of tax benefits associated with losses during 2008 and net deferred tax assets as a result of the establishment of a deferred tax valuation allowance.

Parent Company Results of Operations

The following table is a condensed income statement summarizing the Parent Company s segment results of operations (in thousands):

	For the Years Ended December 31,			Change 2010 vs.	Change 2009 vs.
	2010	**2009**	**2008**	**2009**	**2008**
Net interest income (expense):					
Interest income on loans	$ 228	352	261	(124)	91
Interest and dividend income on investments	72	221	1,184	(149)	(963)
Interest expense on junior subordinated debentures	(14,872)	(15,535)	(21,262)	663	5,727
Net interest expense	(14,572)	(14,962)	(19,817)	390	4,855
Provision for loan losses	(5,536)	(18,414)	(24,418)	12,878	6,004
Net interest expense after					
Provision for loan losses	(20,108)	(33,376)	(44,235)	13,268	10,859
Non-interest income:					
Income from unconsolidated subsidiaries	1,054	487	600	567	(113)
Securities activities, net	-	19	(356)	(19)	375
Other income	1,257	1,058	1,027	199	31
Non-interest income	2,311	1,564	1,271	747	293
Non-interest expense:					
Employee compensation and benefits	2,819	5,036	3,046	(2,217)	1,990
Professional fees	3,074	2,055	1,782	1,019	273
Advertising and promotion	293	251	279	42	(28)
Other	2,857	1,658	3,634	1,199	(1,976)

Non-interest expense	9,043	9,000	8,741	43	259
Loss before income taxes	(26,840)	(40,812)	(51,705)	13,972	10,893
(Provision) benefit for income taxes	-	-	(1,395)	-	1,395
Parent Company loss	$ (26,840)	(40,812)	(53,100)	13,972	12,288

Parent Company interest on loans during 2010, 2009 and 2008 represented interest income from two commercial real estate loans acquired in a March 2008 loan transfer from BankAtlantic that were returned to an accrual status during 2008 as the borrowers cash flow improved upon obtaining tenants for properties serving as collateral.

Interest and dividend income on investments during the years ended December 31, 2010 and 2009 were comprised primarily of earnings from a BankAtlantic reverse repurchase agreement account and dividends from an equity investment. Interest and dividend income on investments during the year ended December 31, 2008 was comprised primarily of interest and dividends associated with a portfolio of debt and equity securities managed by a money manager as well as earnings from a reverse repurchase account with BankAtlantic. Earnings from the BankAtlantic reverse repurchase account were $17,000, $28,000 and $0.2 million, respectively, during the years ended December 31, 2010, 2009 and 2008.

Interest expense for the years ended December 31, 2010, 2009 and 2008 represents interest expense recognized on the Parent Company s junior subordinated debentures. The decline in interest expense reflects the historically low three month LIBOR interest rates during 2009 and 2010. The decline in interest rates was partially offset by deferred interest on the junior subordinated debentures. As previously discussed, the Parent Company has elected to defer the payment of interest on all of its junior subordinated debentures, commencing with the first quarter of 2009. The Parent Company is permitted under the terms of its obligations to defer interest payments for up to 20 consecutive quarterly periods. During the deferral period, interest will continue to accrue on the debentures and on the deferred interest, and the Company will continue to recognize such deferred interest as interest expense in its financial statements. As a consequence, the Parent Company s junior subordinated debentures average balances increased from $300.0 million during 2009 to $314.1 million during 2010. Average interest rates on junior subordinated debentures decreased from 5.18% during the year ended December 31, 2009 to 4.73% during the same 2010 period due to a decrease in LIBOR.

Income from unconsolidated subsidiaries during 2010, 2009 and 2008 represents equity earnings from trusts formed to issue trust preferred securities.

During the year ended December 31, 2009, the Parent Company redeemed its investment in a private equity security for a $1.5 million gain and sold shares of Stifel common stock received from the sale of Ryan Beck for a $0.1 million gain. Also, during 2009 the Parent Company recognized a $1.6 million other-than-temporary decline in value from an equity investment in an unrelated financial institution.

During 2008, the Parent Company sold $54.2 million of equity securities from its managed investment portfolio, $108.4 million of Stifel common stock and warrants to acquire 722,586 shares of Stifel common stock for a net gain of $4.2 million. The majority of the $181.8 million of proceeds from the sale of securities and warrants was used to purchase $94.5 million of non-performing loans from BankAtlantic and to contribute $65 million of capital to BankAtlantic. The Parent Company also recognized other-than-temporary impairment charges of $4.6 million associated with an investment in a private limited partnership and an equity investment in a private placement.

Other income during the year ended December 31, 2010 included $0.1 million of gains on the sale of loans. The majority of other income during the years ended December 31, 2010, 2009 and 2008 primarily represent fees charged to BankAtlantic for executive management services. These fees are eliminated in the Company s consolidated financial statements.

The Parent Company s compensation expense during the years ended December 31, 2010, 2009 and 2008 represents salaries, benefits and incentives for executive officers and administrative personnel. The higher compensation expense during 2009 compared to 2010 and 2008 primarily reflects higher incentive performance bonuses during 2009. Incentive performance bonuses based on specific performance criteria were $0.2 million, $2.9 million and $1.6 million during the years ended December 31, 2010, 2009 and 2008, respectively.

The increase in professional fees during 2010 primarily resulted from higher consulting costs associated with investment banking and other advisory services. Consulting costs were $1.5 million, $0.3 million and $0.6 million during the years ended December 31, 2010, 2009 and 2008, respectively. The remaining professional fees were legal costs during each of the years in the three year period ended December 31, 2010. The legal fees were incurred in connection with the Securities and Exchange Commission formal investigation, general corporate matters and foreclosure costs associated with non-performing loans held in a work-out subsidiary of the Parent Company.

Advertising costs during each of the years in the three year period ended December 31, 2010 represents investor relations expenditures, the cost of shareholder correspondence and the annual meeting of shareholders.

Included other expenses during the years ended December 31, 2010, 2009 and 2008 were property management costs and real estate owned losses of $1.9 million, $0.9 million and $2.5 million, respectively. The Parent Company also incurred $0.2 million of loan servicing fees paid to BankAtlantic for each of the years ended December 31, 2010, 2009 and 2008 related to the loans held by its asset workout subsidiary. Also included in other expenses for the years ended December 31, 2010, 2009 and 2008 were $0.6 million, $0.3 million and $0.3 million, respectively, of fees paid to BFC for investor relations, risk management, real estate advisory and human resources services provided to the Parent Company by BFC.

The Parent company did not recognize a tax benefit in connection with its 2010 and 2009 losses. The Parent Company recognized a provision for income taxes of $1.4 million in 2008. These amounts represent effective tax rates of 0%, 0% and 2.65% for 2010, 2009 and 2008, respectively. The change in the Parent Company s effective tax rate during the periods was primarily due to the disallowance of tax benefits associated with the Parent Company s 2010, 2009 and 2008 losses as a result of a deferred tax valuation allowance established during 2008 on the Parent Company s net deferred tax assets.

Credit Quality

To provide greater flexibility in holding and managing non-performing loans and to improve BankAtlantic s financial condition, the Parent Company formed an asset workout subsidiary which acquired non-performing commercial real estate and commercial residential real estate loans from BankAtlantic for $94.8 million in cash on March 31, 2008. BankAtlantic transferred $101.5 million of non-performing loans to the Parent Company s subsidiary at the loan s carrying value inclusive of $6.4 million in specific allowances for loan losses and $0.3 million of escrow balances. The work-out subsidiary of the Parent Company entered into a servicing arrangement with BankAtlantic with respect to these loans.

The composition of non-performing loans acquired from BankAtlantic as of March 31, 2008 was as follows (in thousands):

	Amount
Nonaccrual loans:	
Commercial residential real estate:	
Builder land loans	$ 32,039
Land acquisition and development	19,809
Land acquisition, development and Construction	34,915
Total commercial residential real estate	86,763
Commercial non-residential real estate	14,731
Total non-accrual loans	101,494
Allowance for loan losses-specific reserves	(6,440)
Non-accrual loans, net	$ 95,054

The composition of the transferred non-performing loans and real estate owned at the indicated dates was as follows (in thousands):

	December 31, 2010	December 31, 2009
Non-accrual loans:		
Commercial residential real estate:		
Builder land loans	$ 3,743	14,060
Land acquisition and development	3,605	10,376
Land acquisition, development and construction	1,637	14,903
Total commercial residential real estate	8,985	39,339
Commercial non-residential real estate	5,523	5,558
Total non-accrual loans	14,508	44,897
Allowance for loan losses - specific reserves	(830)	(13,630)
Non-accrual loans, net	13,678	31,267
Performing commercial non-residential loans, net of allowance for loan losses	2,811	3,116
Loans receivable, net	$ 16,489	34,383
Real estate owned	$ 10,160	10,532

During the year ended December 31, 2010, the Parent Company foreclosed on a $5.7 million land acquisition, development and construction loan, and a $7.9 million builder land bank loan. The properties obtained from foreclosures were sold for cash proceeds of $9.8 million. The work-out subsidiary also received $0.4 million of loan principal repayments during the year ended December 31, 2010.

During the year ended December 31, 2009, the Parent Company s work-out subsidiary received proceeds of $6.3 million from loan payments and the sale of a foreclosed property, transferred a $1.0 million loan from non-accrual to performing, charged-down $16.5 million of loans and foreclosed on five properties aggregating $10.5 million.

The Parent Company s non-accrual loans include large loan balance lending relationships. Three relationships account for 75% of its $14.5 million of non-accrual loans as of December 31, 2010. The following table outlines general information about these relationships as of December 31, 2010 (in thousands):

Relationships	Unpaid Principal Balance	Outstanding Balance (5)	Specific Reserves	Date loan Originated	Date Placed on Nonaccrual	Default Date (3)	Collateral Type (4)	Date of Last Full Appraisal
Commercial Business								
Relationship No. 1	5,523	5,523	830	Q4-2005	Q4-2007	Q4-2007	Commercial Land	Q4-2010
Residential Land Developers								
Relationship No. 2 (1)	19,881	3,743	-	Q1-2005	Q4-2007	Q1-2008	Builder Land	Q4-2010
Relationship No. 3 (2)	7,383	1,639		Q1-2006	Q1-2008	Q1-2008	Land A&D	Q2-2010
Total Residential Land Developers	27,264	5,382	-					