

BANKATLANTIC BANCORP INC

Form 10-K

March 16, 2009

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

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Year Ended December 31, 2008**

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

**Commission File Number
34-027228**

BankAtlantic Bancorp, Inc.

(Exact name of registrant as specified in its Charter)

Florida

(State or other jurisdiction of incorporation
or organization)

65-0507804

(I.R.S. Employer
Identification No.)

2100 West Cypress Creek Road

Ft. Lauderdale, Florida

(Address of principal executive offices)

33309

(Zip Code)

(954) 940-5000

(Registrant's telephone number, including area code)

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

Name of Each Exchange on Which Registered

New York Stock Exchange

Title of Each Class

Class A Common Stock, Par Value \$0.01 Per Share

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

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

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 NO

Indicate, by check mark, if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. (Check one):

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

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

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The aggregate market value of the voting common equity held by non-affiliates was \$71.8 million computed by reference to the closing price of the Registrant's Class A Common Stock on June 30, 2008.

The number of shares of Registrant's Class A Common Stock outstanding on March 6, 2009 was 10,283,906. The number of shares of Registrant's Class B Common Stock outstanding on March 6, 2009 was 975,225.

Portions of the Proxy Statement of the Registrant relating to the Annual Meeting of shareholders are incorporated in Part III of this report.

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ITEM I. BUSINESS**

Except for historical information contained herein, the matters discussed in this report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve substantial risks and uncertainties. Actual results, performance, or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements contained herein. These forward-looking statements are based largely on the expectations of BankAtlantic Bancorp, Inc. (the Company) 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 a continued and deepening recession on our business generally, our regulatory capital ratios, and the ability of our borrowers to meet their obligations and of our customers to maintain account balances; credit risks and loan losses, and the related sufficiency of the allowance for loan losses, including the impact on the credit quality of our loans (including those held in the asset workout subsidiary of the Company) of a sustained downturn in the economy and in the real estate market and other changes in the real estate markets in our trade area, and where our collateral is located; risks associated with changes in or the impact of legislative and regulatory policies and requirements on the Company, BankAtlantic and their assets and activities; the risks of additional charge-offs, impairments and required increases in our allowance for loan losses; changes in interest rates and the effects of, and changes in, trade, monetary and fiscal policies and laws including their impact on the bank's net interest margin; 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, including our ability to raise capital, the value of our assets and on the ability of our borrowers to meet their debt obligations and BankAtlantic's seven-day banking initiatives and other initiatives not resulting in continued growth of core deposits or increasing average balances of new deposit accounts or producing results which do not justify their costs; the success of our expense reduction initiatives and the ability to achieve additional cost savings; and the impact of periodic valuation testing of goodwill and other assets. Past performance, actual or estimated new account openings and growth 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. We report our operations through two business segments consisting of BankAtlantic and BankAtlantic Bancorp, the Parent Company. Detailed operating financial information by segment is included in Note 30 to the Company's consolidated financial statements. On February 28, 2007, the Company completed the sale to Stifel Financial Corp. (Stifel) of Ryan Beck Holdings, Inc. (Ryan Beck), a subsidiary engaged in retail and institutional brokerage and investment banking. As a consequence, the Company exited this line of business and the results of operations of Ryan Beck are presented as Discontinued Operations in the Company's consolidated financial statements for the years ended December 31, 2007 and 2006.

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 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, 2008, we had total consolidated assets of approximately \$5.8 billion and stockholders equity of approximately \$244 million.

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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 more than 100 branches or stores in southeast and central Florida and the Tampa Bay area, primarily in the metropolitan areas surrounding the cities of Miami, Ft. Lauderdale, West Palm Beach and Tampa, which are located in the heavily-populated Florida counties of Miami-Dade, Broward, Palm Beach, Hillsborough and Pinellas.

BankAtlantic's primary business activities include:

- attracting checking and savings deposits from individuals and business customers,
- originating commercial real estate, middle market, consumer and small business loans,
- purchasing wholesale residential loans, and
- investing in mortgage-backed securities, tax certificates and other securities.

BankAtlantic's business strategy

BankAtlantic is currently focusing its efforts in the following areas:

Continuing the Bank's Florida's Most Convenient Bank Initiative. BankAtlantic began its Florida's Most Convenient Bank initiative in 2002, when it introduced seven-day banking in Florida. This banking initiative resulted in 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 \$2.2 billion as of December 31, 2008. We believe the competitive market for deposits, the impact of the recession on our customers as well as reduced confidence in the banking system negatively impacted the growth of core deposits, which at December 31, 2008 declined by \$151.0 million or 7% from December 31, 2007. While we believe that the decrease is a reflection of what is happening in the market generally, we are implementing strategies which we believe will enhance customer loyalty with our current customers and attract new customers in an effort to increase our core deposit balances.

Maintaining and Strengthening our Capital Position. BankAtlantic exceeded all applicable regulatory capital requirements and was considered a well capitalized financial institution at December 31, 2008. See Regulation and Supervision Capital Requirements for an explanation of capital standards. Management has implemented initiatives with a view to preserving capital in response to the current recessionary economic environment. These initiatives include reducing assets as a result of loan and securities repayments in the ordinary course, eliminating cash dividends to the Parent Company, consolidating back-office facilities, decreasing store and call center hours, reducing staffing levels and marketing expenses, selling its central Florida stores, delaying its retail network expansion, and pursuing efforts to improve other operational efficiencies.

Managing Credit Risk. BankAtlantic believes that its underwriting policies and procedures are structured to enable it to offer products and services to its customers while minimizing its exposure to credit risk. However, the economic recession and the substantial decline in real estate values throughout the United States, and particularly in Florida, have had an adverse impact on the credit quality of our loan portfolio. In response, BankAtlantic has attempted to address credit risk through steps which include:

- o Specifically monitored certain commercial and residential land acquisition, development and construction loans and related collateral;

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- o Focused efforts and enhanced staffing relating to loan work-outs and collection processes;
- o Suspended the origination of land and residential acquisition, development and construction loans;
- o Transferred \$101.5 million of non-performing commercial real estate loans to the Parent Company in March 2008;
- o Substantially reduced home equity loan originations based on the implementation of new underwriting requirements;
- o Terminated certain home equity loan unused lines of credit based on declines in borrower credit scores or the value of loan collateral; and
- o Increased the frequency of targeted loan reviews.

Reducing Operating Expenses. Management continued initiatives to decrease operating expenses during 2008, including lowering advertising and marketing expenditures, exiting the Orlando market, reducing store hours, shortening call center hours, reducing staffing levels, renegotiating vendor contracts, outsourcing certain back-office functions, and consolidating back-office operations. During 2009, management intends to seek to further reduce costs in a manner which does not materially impact the quality of customer service. BankAtlantic is also continuing to evaluate its products and services as well as its delivery systems and back-office support infrastructure with a view to providing cost effective and profitable products and services to its customers.

Diversification of BankAtlantic's Loan Portfolio. BankAtlantic is focused on the diversification of its loan portfolio. During 2009 BankAtlantic intends to seek to generate a greater percentage of small business and middle market commercial non-mortgage loans through its retail and lending network. As middle market and small business loans grow, we expect that commercial real estate loan portfolio balances and residential mortgage loans will decline during 2009 through the scheduled repayment of existing loans and significant reductions in commercial real estate loan originations.

Loan Products

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

Residential: Historically, BankAtlantic has purchased residential loans in the secondary markets that have been originated by other institutions. These loans, which are serviced by independent servicers, are secured by properties located throughout the United States. When BankAtlantic purchases residential loans, it evaluates the originator's underwriting of the loans and, for most individual loans, performs confirming credit analyses. Residential loans are typically purchased in bulk and are generally non-conforming loans under agency guidelines due to the size of the individual loans. BankAtlantic sets general guidelines for loan purchases relating to loan amount, type of property, state of residence, loan-to-value ratios, the borrower's sources of funds, appraised amounts and loan documentation, but actual purchases will generally reflect availability and market conditions, and may vary from BankAtlantic's general guidelines. The weighted average FICO credit scores and loan-to-value ratios (calculated at the time of origination) of purchased loans outstanding as of December 31, 2008 was 742 and 68%, respectively, and the original back end debt ratio was a weighted average of 33%. Included in these purchased residential loans are interest-only loans. These loans result in possible future increases in a borrower's loan payments when the contractually required repayments increase due to interest rate adjustments and when required amortization of the principal amount commences. These payment increases could affect a borrower's ability to repay the loan and lead to increased defaults and losses. At December 31, 2008, BankAtlantic's residential loan portfolio included \$980 million of interest-only

loans, \$44.8 million of which will become fully amortizing and have interest rates reset in 2009. The credit scores and loan-to-value ratios for interest-only loans are similar to amortizing loans. BankAtlantic has attempted to manage the credit risk associated with these loans by limiting purchases of interest-only loans to those originated to borrowers that

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it believes to be credit worthy, with loan-to-value and total debt to income ratios within agency guidelines. BankAtlantic does not purchase 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.

BankAtlantic also originates residential loans to customers that are then sold on a servicing released basis to a correspondent. It also originates and holds certain residential loans, which are made primarily to low to moderate income borrowers in accordance with requirements of the Community Reinvestment Act. The underwriting of these loans generally follows government agency guidelines and independent appraisers typically perform on-site inspections and valuations of the collateral. The outstanding balance of the loans in this portfolio at December 31, 2008 was \$70 million.

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

Historically, we made three categories of commercial real estate loans that we believe have resulted in significant exposure to BankAtlantic based on declines in the Florida residential real estate market. We discontinued the origination of these loan products in 2007. These categories are builder land bank loans, land acquisition and development loans, and land acquisition, development and construction loans. The builder land bank loan category consists of land loans to borrowers who have or had land purchase option agreements with regional and/or national builders. These loans were originally underwritten based on projected sales of the developed lots to the builders/option holders, and timely repayment of the loans is primarily dependent upon the sale of the property pursuant to the options. If the lots are not sold as originally anticipated, BankAtlantic anticipates that the borrower may not be in a position to service the loan, with the likely result being an increase in nonperforming loans and loan losses in this category. The land acquisition and development loan category consists of loans secured by residential land which was intended to be developed by the borrower and sold to homebuilders. We believe that the underwriting on these loans was generally more stringent than builder land bank loans, as an option agreement with a regional or national builder did not exist at the origination date. The land acquisition, development and construction loans are secured by residential land which was intended to be fully developed by the borrower who also might have plans to construct homes on the property. These loans generally involved property with a longer investment and development horizon, 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.

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

Commercial Business: BankAtlantic generally makes commercial business loans to medium sized companies in Florida. It lends on both a secured and unsecured basis, although the majority of its loans are secured. Commercial business loans are typically secured by the receivables, inventory, equipment, real estate, and/or general corporate assets of the borrowers. Commercial business loans generally have variable interest rates that are prime or LIBOR-based. These loans are typically originated for terms

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ranging from one to five years.

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

Consumer: Consumer loans primarily consist of loans to individuals originated through BankAtlantic's retail network. Approximately 90% of originations are home equity lines of credit secured by a first or second mortgage on the primary residence of the borrower. Approximately 20% of home equity lines of credit balances are secured by a first mortgage on the property. Home equity lines of credit have prime-based interest rates and generally mature in 15 years. Other consumer loans generally have fixed interest rates with terms ranging from one to five years. The credit quality of consumer loans is adversely impacted by increases in the unemployment rate and declining real estate values. During 2008, BankAtlantic experienced higher than historical losses in this portfolio as a result of deteriorating economic conditions. In an attempt to address this issue, BankAtlantic has adopted more stringent underwriting criteria for consumer loans which has the effect of significantly reducing consumer loan originations.

Small Business: BankAtlantic originates small business loans to companies located primarily in markets within BankAtlantic's store network. Small business loans are primarily originated on a secured basis and generally do not exceed \$1.0 million for non-real estate secured loans and \$2.0 million for real estate secured loans. These loans are generally originated with maturities ranging from one to three years or upon demand; however, loans collateralized by real estate could have terms of up to fifteen years. Lines of credit extended to small businesses are due upon demand. Small business loans have either fixed or variable prime-based interest rates. During 2009, BankAtlantic intends to target small business lending to specific industries that it believes may lead to profitable customer relationships.

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

	As of December 31,									
	2008		2007		2006		2005		2004	
	Amount	Pct	Amount	Pct	Amount	Pct	Amount	Pct	Amount	Pct
Loans receivable:										
Real estate loans:										
Residential	\$1,930	45.34	2,156	47.66	2,151	46.81	2,030	43.92	2,057	45.16%
Consumer home equity	719	16.89	676	14.94	562	12.23	514	11.12	457	10.03
Construction and development	301	7.07	416	9.20	475	10.34	785	16.99	766	16.82
Commercial	930	21.85	882	19.49	973	21.17	979	21.18	1,004	22.04
Small business	219	5.14	212	4.69	187	4.07	152	3.29	124	2.72
Loans to Levitt Corporation		0.00		0.00		0.00		0.00	9	0.20
Other loans:										
Commercial business	143	3.36	131	2.90	157	3.42	88	1.90	93	2.04
Small business - non-mortgage	108	2.54	106	2.34	98	2.13	83	1.80	67	1.47
Consumer Residential loans held for sale	26	0.61	31	0.68	26	0.57	27	0.59	18	0.40
	3	0.07	4	0.09	9	0.20	3	0.06	5	0.11
Total	4,379	102.87	4,614	101.99	4,638	100.94	4,661	100.85	4,600	100.99
Adjustments:										
Unearned discounts (premiums)	(3)	-0.07	(4)	-0.09	(1)	-0.02	(2)	-0.04	(1)	-0.02
Allowance for loan losses	125	2.94	94	2.08	44	0.96	41	0.89	46	1.01
	\$4,257	100.00	4,524	100.00	4,595	100.00	4,622	100.00	4,555	100.00%

Total loans
receivable, net

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

Included in BankAtlantic's commercial, construction and development loan portfolio was the following (in millions):

	As of December 31,	
	2008	2007
Builder land bank loans	\$ 62	150
Land acquisition and development loans	166	202
Land acquisition, development and construction loans	76	151
Total commercial residential development loans (1)	\$304	503

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

Investments

Securities Available for Sale: BankAtlantic invests in obligations of, or securities guaranteed by the U.S. government or its agencies, such as mortgage-backed securities and real estate mortgage investment

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conduits (REMICs), which are accounted for as securities available for sale. BankAtlantic's securities available for sale portfolio at December 31, 2008 reflects a decision to seek high credit quality and securities guaranteed by government sponsored enterprises in an attempt to minimize credit risk in its investment portfolio to the extent possible. The available for sale securities portfolio serves as a source of liquidity while at the same time provides 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 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. Certain municipalities bulk sale their entire tax certificates for the prior year by auctioning the portfolio to the highest bidder instead of auctioning each property. The tax obligation arises when the property owner fails to timely pay the real estate taxes on the property. 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 sale auctions as it experienced higher than historical losses on legacy bulk purchased tax certificates which included properties in distressed areas outside the State of Florida.

Derivative Investments: From time to time, based on market conditions, BankAtlantic writes call options on recently purchased agency securities (covered calls). Management pursues this periodic investment strategy when it believes it will generate non-interest income or alternatively, the acquisition of agency securities on desirable terms. BankAtlantic had no derivative investments outstanding as of December 31, 2008.

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	Tax-Exempt Securities	Mortgage- Backed Securities	Corporate Bond and Other	Total	Weighted Average Yield
December 31, 2008						
Maturity: (1)						
One year or less	\$224,434				224,434	6.68%
After one through five years			101	250	351	3.98
After five through ten years			36,885		36,885	5.16
After ten years			662,238		662,238	4.77
Fair values (2)	\$224,434		699,224	250	923,908	5.25%
Amortized cost (2)	\$213,534		687,344	250	901,128	6.00%
Weighted average yield based on fair values	6.68		4.79	4.30	5.25	
	1.0		23.95	1.67	18.50	

Weighted average
maturity (yrs)

December 31, 2007

Fair values (2)	\$188,401		788,461	681	977,543	5.90%
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Amortized cost (2)	\$188,401		785,682	685	974,768	6.06%
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December 31, 2006

Fair values (2)	\$195,391	397,244	361,750	675	955,060	6.17%
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Amortized cost (2)	\$195,391	397,469	365,565	685	959,110	6.05%
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- (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 1 to 2 years).

- (2) Equity and tax exempt securities held by the Parent Company with a cost of \$3.6 million, \$162.6 million, and \$88.6 million and a fair value of \$4.1 million, \$179.5 million, and \$99.9 million, at December 31, 2008, 2007 and 2006, respectively, were excluded from the above table. At December 31, 2008, equities held by BankAtlantic with a cost of \$0.8 million and a fair value of \$0.8 million was

excluded from
the above table.

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

		December 31, 2008 (1)		
	Amortized	Gross	Gross	Estimated
	Cost	Unrealized	Unrealized	Fair Value
		Appreciation	Depreciation	
Tax certificates and investment securities:				
Tax certificates:				
Cost equals market	\$213,534	10,900		224,434
Securities available for sale:				
Investment securities:				
Cost equals market	250			250
Market over cost				
Cost over market				
Mortgage-backed securities :				
Cost equals market				
Market over cost	654,199	12,863		667,062
Cost over market	33,145		983	32,162
Total	\$901,128	23,763	983	923,908

- 1) The above table excludes Parent Company equity securities with a cost of \$3.6 million and a fair value of \$4.1 million at December 31, 2008. At December 31, 2008, equities held by BankAtlantic with a cost of \$0.8 million and a fair value of \$0.8 million was excluded from the above table.

Deposit products and borrowed funds:

Deposits: BankAtlantic offers checking and savings accounts to individuals and business customers. These include commercial demand deposit accounts, retail demand deposit accounts, savings accounts, money market accounts, certificates of deposit, various NOW accounts and IRA and Keogh retirement accounts. BankAtlantic also obtains deposits from brokers and municipalities. BankAtlantic solicits deposits from customers in its geographic

market through marketing and relationship banking activities primarily conducted through its sales force and store network. BankAtlantic primarily solicits deposits at its branches (or stores) through its Florida's Most Convenient Bank initiative. During 2008, BankAtlantic began participating in the Certificate of Deposit Account Registry Services (CDARS) program. This program allows BankAtlantic to offer to its customers federally insured deposits up to \$50 million. BankAtlantic has also elected to participate in the FDIC's Transaction Account Guarantee Program whereby the FDIC through December 31, 2009 fully insures BankAtlantic's entire portfolio of non-interest bearing deposits, and interest-bearing deposits with rates at or below fifty basis points and, subject to applicable terms, insures up to \$250,000 of other deposit accounts. See note 13 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic's deposit accounts.

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

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

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

Federal funds borrowings occur under established facilities with various federally-insured banking institutions to purchase federal funds. We also have a borrowing facility with various federal agencies which may place funds with us at overnight rates. BankAtlantic uses these facilities on an overnight basis to assist in managing its cash requirements. These advances are collateralized by a security lien against its consumer loans. See note 15 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic's federal funds borrowings.

Term auction facilities represent short term borrowings from the Federal Reserve System. These borrowings are collateralized by securities available for sale and are generally at federal fund interest rates which have been lower interest rates than alternative borrowings. See note 15 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic's term auction facilities borrowings.

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

Parent Company

The Parent Company (Parent) operations primarily consist of financing of the capital needs of BankAtlantic and its subsidiaries and management of the asset work-out subsidiary and other investments. In March 2008, the Parent Company used a portion of its proceeds obtained from the Ryan Beck sale to Stifel to form an asset work-out subsidiary which purchased from BankAtlantic \$101.5 million of non-performing loans at BankAtlantic's carrying value. The work-out subsidiary has entered into an agreement with BankAtlantic to service the transferred non-performing loans. The Parent also has arrangements with BFC Financial Corporation (BFC) for BFC to provide certain human resources, insurance management, investor relations, and other administrative services to the Parent and its subsidiaries. The Parent obtains its funds from issuances of equity and debt securities, proceeds from sales of investment securities, returns on portfolio investments, repayments and pay downs of loans in its workout subsidiary and dividends from its subsidiaries. The Parent provides funds to its subsidiaries as capital contributions for general corporate

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purposes. 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. In February and March 2009, the Company notified the trustees under its junior subordinated debentures that it has elected to defer its quarterly interest payments. During the deferral period, the respective trusts will likewise suspend the declaration and payment of dividends on the trust preferred securities. Additionally, during the deferral period, the Company will 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 Company had the following cash and investments as of December 31, 2008. There is no assurance that these investments will maintain the estimated fair value indicated on the table below or that we would receive proceeds equal to estimated fair value upon the liquidation of these investments.

(in thousands)	Carrying Value	As of December 31, 2008		Estimated Fair Value
		Gross Unrealized Appreciation	Gross Unrealized Depreciation	
Cash and cash equivalents	\$37,116			37,116
Equity securities	1,597			1,597
Private investment securities	2,036	467		2,503
Total	\$40,749	467		41,216

The Company anticipates receiving additional funds currently estimated at \$9.1 million during 2009 as an earn-out payment associated with the sale of Ryan Beck to Stifel.

The Parent Company's work-out subsidiary holds the following commercial loans with outstanding balances as of December 31, 2008 by loan category as follows:

(in millions)	Amount
Builder land bank loans	\$ 22
Land acquisition and development loans	17
Land acquisition, development and construction loans	29
Commercial	14
Total commercial loans	\$ 82

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, 2008		December 31, 2007	
	Full- Time	Part- time	Full- time	Part- time
BankAtlantic Bancorp	6		7	
BankAtlantic	1,698	143		