

BANKATLANTIC BANCORP INC  
Form 10-Q  
May 13, 2011  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission files number 001-13133

**BankAtlantic Bancorp, Inc.**

(Exact name of registrant as specified in its charter)

**Florida**  
 (State or other jurisdiction of  
 incorporation or organization)

**65-0507804**  
 (I.R.S. Employer  
 Identification No.)

**2100 West Cypress Creek Road**

**Fort Lauderdale, Florida**  
 (Address of principal executive offices)

**33309**  
 (Zip Code)

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

**Not Applicable**

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

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

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

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

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  Smaller reporting company   
 Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  YES  NO

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

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

**Table of Contents****TABLE OF CONTENTS****Part I. FINANCIAL INFORMATION**

	<b>Page</b>
<b>Reference</b>	
Item 1. Financial Statements	3-34
<u>Consolidated Statements of Financial Condition - March 31, 2011 and December 31, 2010 - Unaudited</u>	3
<u>Consolidated Statements of Operations - For the Three Months ended March 31, 2011 and 2010 - Unaudited</u>	4
<u>Consolidated Statements of Equity and Comprehensive Income - For the Three Months Ended March 31, 2011 and 2010 - Unaudited</u>	5
<u>Consolidated Statements of Cash Flows - For the Three Months Ended March 31, 2011 and 2010 - Unaudited</u>	6-7
<u>Notes to Consolidated Financial Statements - Unaudited</u>	8-34
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35-53
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	54
Item 4. <u>Controls and Procedures</u>	54

**Part II. OTHER INFORMATION**

Item 1. <u>Legal Proceedings</u>	55
Item 1A. <u>Risk Factors</u>	56
Item 6. <u>Exhibits</u>	56
<u>Signatures</u>	57

**Table of Contents****BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION - UNAUDITED**

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

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

**Table of Contents**

**BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED**

(In thousands, except share and per share data)

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

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

**Table of Contents****BankAtlantic Bancorp, Inc.****BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME****For the Three Months Ended March 31, 2011 and 2010-Unaudited**

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



**Table of Contents****BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED**

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

(Continued)

**Table of Contents****BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED**

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

**Table of Contents****BankAtlantic Bancorp, Inc. and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED****1. Presentation of Interim Financial Statements**

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

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

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

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

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

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

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

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**Table of Contents****BankAtlantic Bancorp, Inc. and Subsidiaries****2. Regulatory and Liquidity Considerations*****Regulatory Considerations***

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

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

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

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

**Table of Contents**

**BankAtlantic Bancorp, Inc. and Subsidiaries**

*Liquidity Considerations*

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

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

